



REAL ESTATE COMMISSION
STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
PROFESSIONAL AND VOCATIONAL LICENSING DIVISION
P. O. Box 3469
Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

ON

THE PENINSULA AT HAWAII KAI, PHASE I
7105 Wailua Street
Honolulu, Hawaii 96825

Registration No. 2432

Issued: June 26, 1991
Expires: July 26, 1992

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of June 21, 1991, and is issued by the Commission for informational purposes only. It represents neither approval nor disapproval of the project. Buyers are encouraged to read this report carefully.

Type of Report:

- ☒ **PRELIMINARY:**
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued when complete information is filed.
- ☐ **FINAL:**
(white) The developer has legally created a condominium and has filed complete information with the Commission.
☐ No prior reports have been issued
☐ Supersedes all prior public reports
☐ Must be read together with _____
- ☐ **SUPPLEMENTARY:**
(pink) Updates information contained in the
☐ Prelim. Public Report dated _____
☐ Final Public Report dated _____
☐ Supp. Public Report dated _____
- And ☐ Supersedes all prior public reports
☐ Must be read together with _____
- ☐ This report reactivates the _____
public report(s) which expired on _____

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

☐ Required ☒ Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

☒ No prior reports have been issued by the Commission.

☐ Changes made are as follows:

GENERAL INFORMATION ON CONDOMINIUMS

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of Hawaii's "Condominium Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owner/tenant) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements. The leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

Common elements are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called limited common elements and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and they may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. Some of these actions may significantly impact the quality of life for all apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is vitally important to all apartment owners that the transition from developer to owner control be accomplished in an orderly manner and in a spirit of cooperation.

MARY OF THE CONDOMINIUM PROJECT

Interest to be Conveyed to Buyer:

- ☐ Fee simple interest in an apartment and an undivided feehold interest in the common elements.
☒ Leasehold interest in an apartment and an undivided leasehold interest in the common elements.
☐ Fee simple interest in an apartment and an undivided leasehold interest in the common elements.

Types of Project:

1. ☒ New Building(s) ☐ Conversion
☐ Both New Building(s) and Conversion
 2. ☒ Residential ☐ Commercial ☐ Ohana
☐ Mixed Residential and Commercial ☐ Agricultural
☐ Other _____
 3. ☐ High Rise (5 stories or more) ☒ Low Rise
 4. ☐ Single or ☒ Multiple Buildings
 5. Apartment Description See Exhibit "B"

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 121

**Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.*

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

6. Parking: See Exhibit "C"

	<u>Number of Stalls</u>
Assigned Stalls (Individual Units)	<u>265</u>
Guest Stalls	<u>41</u>
Unassigned Stalls	<u>----</u>
Extra Stalls Available for Purchase	<u>----</u>
Other: <u>Loading</u>	<u>1</u>
Total Parking Stalls	<u>307</u>

7. Recreational amenities:

See Exhibit "D"

1. PEOPLE CONNECTED WITH THE PROJECT

Developer: Nansay Hawaii, Inc.
Name
119 Merchant Street, Suite 500
Business Address
Honolulu, Hawaii 96813

Phone: (808) 599-4774
(Business)

Names of officers or general partners of developers who are corporations or partnerships:

Philip Y. Ho, President

Roger C. Gault, Executive Vice President

Real Estate
Broker:

There are two brokers. Please
Name see Exhibit "A".

Phone: _____
(Business)

Business Address

Escrow:

Title Guaranty Escrow Services, Inc.
Name
235 Queen Street, 1st Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-0211
(Business)

General
Contractor:

Charles Pankow Builders, Ltd.
Name
567 S. King Street, Suite 304
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-8971
(Business)

Condominium
Managing
Agent:

Chaney Brooks & Company
Name
606 Coral Street
Business Address
Honolulu, Hawaii 96813

Phone: (808) 544-1600
(Business)

Attorney for
Developer:

Cades Schutte Fleming & Wright
(Douglas E. Prior, Rene E. Ojiri,
Name Jeffrey D. Watts)
1000 Bishop Street
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-9200
(Business)

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners.

- A. Declaration of Condominium Property Regime contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

☒ Proposed
☐ Recorded - Bureau of Conveyances - Document No. _____
Book _____ Page _____
☐ Filed - Land Court - Document No. _____

Amendment date(s) and recording/filing information:

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

☒ Proposed
☐ Recorded - Bureau of Conveyance Condo Map No. _____
☐ Filed - Land Court Condo Map No. _____

Amendment date(s) and recording/filing information:

- C. Bylaws of the Association of Apartment Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the way in which meetings will be conducted, and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

☒ Proposed
☐ Recorded - Bureau of Conveyances - Document No. _____
Book _____ Page _____
☐ Filed - Land Court - Document No. _____

Amendment date(s) and recording/filing information:

The Condominium Statute (Chapter 14A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- D. **House Rules.** The Board of Directors may adopt house rules to govern the use and operation of the common elements and individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais, keeping of pets, and occupancy limits. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial house rules are usually adopted by the developer.

The House Rules for this condominium are:

☒ Proposed ☐ Adopted ☐ Developer does not plan to adopt house rules.

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>	(See Exhibit "E" for additional information)
Declaration (and Condo Map)	75%	<u>75%</u>	
Bylaws	65%	<u>65%</u>	
House Rules and Regulations	—	Board <u>may amend at</u> duly called meeting	

The percentages for individual condominium projects may be more than the minimum set by law.

2. **Developer:**

- ☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- ☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules

See Exhibit "E"

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- ☐ Fee Simple: Individual apartments and the common elements which includes the underlying land will be in fee simple.
- ☒ Leasehold or Subleasehold: Individual apartments and the common elements which includes the underlying land will be leasehold.

The leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit "F" contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: See Exhibit "F"

Rent Renegotiation Date(s): _____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit "F" contains a schedule of the lease rent for each apartment per
☐ Month ☐ Year.

NA ☐ Individual Apartments in Fee Simple Common Interest in the Underlying Land in Leasehold or Subleasehold:

The leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners - tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit NA contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: NA

Rent Renegotiation Date(s): NA

Lease Rent Payable: NA ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit NA contains a schedule of the lease rent for each apartment per
☐ Month ☐ Year.

NA ☐ Other:

For Subleaseholds: NA

- [] Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is
[] Cancelled [] Foreclosed
- [] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is cancelled or foreclosed.

B. Underlying Land:

Address: 7105 Wailua Street Tax Map Key: (1) 3-9-008-016
Honolulu, Hawaii 96825 (TMK)

[] Address [] TMK is expected to change because _____

Land Area: 1,469,953 [X] square feet [] acre(s) Zoning: A1, A2

Fee Owner: Trustees of the Estate of Bernice Pauahi Bishop
Name

567 South King Street, Suite 200

Address

Honolulu, Hawaii 96813

Sublessor: NA

Name

Address

C Buildings and Other Improvements:

1. [X] New Building(s) [] Conversion of Existing Building(s)
[] Both New Building(s) and Conversion
2. Buildings: 15 Floors Per Building See Exhibit "G"
[X] Exhibit "G" contains further explanations.
3. Principal Construction Material:
[] Concrete [] Hollow Tile [] Wood
[X] Other See Exhibit "G"

4. Permitted Uses by Zoning:

	<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>		<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>
<input type="checkbox"/> Commercial	_____	_____	<input type="checkbox"/> Industrial	_____	_____
<input checked="" type="checkbox"/> Residential	<u>118</u>	<u>Residential Apt</u>	<input type="checkbox"/> Agricultural	_____	_____
<input type="checkbox"/> Timeshare/Hotel	_____	_____	<input type="checkbox"/> Recreational	_____	_____
<input checked="" type="checkbox"/> Other: <u>Meeting Facility; Utility</u>			<u>3</u>	<u>Meeting Facility</u>	<u>Apt. Accessory</u>

Is/Are this/these use(s) specifically permitted by the project's declaration or bylaws?

☒ Yes ☐ No

5. Special Use Restrictions:

The Declaration, Bylaws, and House Rules may contain restrictions on the use and occupancy of apartments. Restrictions for this condominium project include but are not limited to:

☒ Pets: See Exhibit "H"

☐ Number of Occupants: _____

☒ Other: See Exhibit "H"

☐ There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators None Stairways 28 Trash Chutes None

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
See <u>Exhibit "B"</u>	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 121

*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit "B"

Permitted Alterations to Apartments:

See Exhibit "I"

7. Parking Stalls:

Total Parking Stalls: 307

	Regular		Compact		*Other Handicapped		TOTAL
	covered	open	covered	open	covered	open	
Assigned (for individual units)	<u>118</u>	<u>82</u>	<u>-</u>	<u>59</u>	<u>-</u>	<u>10</u>	<u>269</u>
Guest	<u>-</u>	<u>30</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>38</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extra Available for Purchase (See Exhibit "C")	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered & Open	<u>230</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>

*Handicapped (5), Trailer/Loading (5)

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

[] Commercial parking garage permitted in condominium project.

[X] Exhibit "C" contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[] There are no recreational or common facilities.

[X] Swimming pool

[] Storage Area

[X] Recreation Area

[] Laundry Area

[X] Tennis Court

[] Trash Chute

[X] Other: See Exhibit "D"

9. Present Condition of Improvements

(For conversions of residential apartments in existence for at least five years):

a. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

NA

b. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

NA

10. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>X</u>	<u> </u>	<u> </u>
Structures	<u>X</u>	<u> </u>	<u> </u>
Lot	<u>X</u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest

1. **Common Elements:** Common Elements are those parts of the condominium project intended to be used by all apartment owners. They are owned jointly by all apartment owners.

☒ Exhibit "J" describes the common elements.

☐ As follows:

2. **Limited Common Elements:** Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

☐ There are no limited common elements in this project.

☒ The limited common elements and the apartments which may use them are:

☒ described in Exhibit "J"

☐ as follows:

3. **Common Interest:** Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is often used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium. It may also be used for other purposes, including voting on matters requiring action by apartment owners.

☒ Exhibit "C" describes the common interests for each apartment.

☐ As follows:

E. Encumbrances Against Title. An encumbrance is a claim against or a liability on the property.

Exhibit "K" describes the encumbrances against the title contained in the title report dated March 19, 1991 and issued by Title Guaranty of Hawaii, Incorporated

Blanket Liens:

A blanket lien is a mortgage on a condominium project that secures a construction loan. It is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

☐ There are no blanket liens affecting title to the individual apartments.

☒ There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. Buyer's interest will be affected only if the developer defaults prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest If Developer Defaults</u>
Mortgage	The Buyer's interest under a sales contract is subject to the interest of the holder of the mortgage. Among other things, this means that if the Developer defaults, the mortgage holder may take over the Project. Before an Apartment is conveyed to a Buyer, it must be free from the existing mortgage.

F. Management of the Common Elements: The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a managing agent to assist the Association in managing the condominium project.

Initial Managing Agent: When the developer or the developer's affiliate is the initial managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial managing agent for this condominium is: Chaney Brooks & Company

☒ not affiliated with the Developer.

☐ the Developer or the Developer's affiliate.

☐ self-managed by the Association of Apartment Owners.

☐ other _____

G. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided to each apartment.

Exhibit "L" contains a schedule of maintenance fees and maintenance fee disbursements.

H. Utility Charges for Apartments:

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

☐ Not applicable

☒ Electricity *

☐ Gas

☒ Other Air conditioning, refuse collection, telephone *

*(Electricity and telephone service provided to individual apartments shall be separately billed to those apartments. Only the costs of electricity and telephone service provided to common elements shall be included in the maintenance fees.)

☐ Television Cable

☒ Water & Sewer

I. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

See Exhibit "M"

2. Appliances:

See Exhibit "M"

J. Status of Construction and Estimated Completion Date:

Construction is scheduled to commence on or about June 15, 1991. The estimated completion date is July 15, 1992.

K. Project Phases:

The developer ☒ has ☐ has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's Present Plans for Future Development:

See Exhibit "N"

L. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

☒ Notice to Owner Occupants

☒ Specimen Sales Contract

Exhibit "O" contains a summary of the pertinent provisions of the sales contract.

☒ Escrow Agreement dated February 14, 1991

Exhibit "O" contains a summary of the pertinent provisions of the escrow contract.

☒ Other Affidavit of Intent to Purchase a Unit Designated for Owner-Occupant; Specimen form of Apartment Lease.

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

- A. Assignment of Yacht Club Apartments. The Developer shall be the initial owner of the two Yacht Club Apartments located in the Yacht Club Building. Paragraph 17 of the Declaration provides that, at any time after the issuance of a certificate of occupancy for either Yacht Club Apartment and upon thirty (30) days written notice to the Association of Apartment Owners, the Developer may (but does not have to) assign to the Association the Apartment Lease demising such Yacht Club Apartment, and the Association shall have the obligation to accept such assignment. Consideration for such assignment shall be the sum of \$10.00. If the Developer assigns the Apartment Lease for the First Floor Yacht Club Apartment to the Association pursuant to paragraph 17, both Yacht Club Apartments may be converted to any use permitted by then existing zoning and other applicable laws, and not otherwise prohibited by the Condominium Property Act, the Declaration, the Bylaws or the Rules and Regulations, pursuant to paragraph (8.5) of the Declaration.
- B. Computation of Common Interests. The common interests shown in EXHIBIT "C" are computed on the basis of gross living areas. The common interest for each Apartment (except the Utility Apartment) is determined by dividing the gross living area of the Apartment by the aggregate gross living area of all existing Apartments in the Project and all currently uncreated Apartments which the Developer plans to add to the Project as part of an incremental plan of development. Paragraph 7 of the Declaration explains how common interests are determined and how they may change, and provides examples. The Utility Apartment initially has a common interest approximately equal to the common interest which will become appurtenant to all future Apartments which the Developer intends to add to Phase I. Each time new Apartments are added, some of the common interest appurtenant to the Utility Apartment shall be transferred to the new Apartments.
- C. Developer's Subsidy. Pursuant to the terms of the Subsidy Agreement which the Developer has filed with the Real Estate Commission, the Developer agrees to subsidize the Association prior to completion of the Project by paying a certain portion of the annual costs and expenses for operation and maintenance of the Project. The Subsidy Agreement explains how the amount of the Subsidy shall be determined and how the amount may change from time to time. You should study this document.

6/07/91

D. On-Site Manager's Apartment. No Apartment or common element of the Project has been designated or set aside for use as a residence by the Project's on-site manager. Prior to the issuance of a certificate of occupancy for the first six (6) story building described in Exhibit "N" to this Public Report constructed on the Project, the Developer shall pay to the Association a monthly rental allowance in the amount of \$2,000.00, to be used by the Association to pay all or part of the monthly rental of an apartment or other dwelling of the Association's choice, located on the Project or elsewhere in the vicinity of the Project, for use as a residence by the Project's on-site manager. Upon issuance of a certificate of occupancy for the first six (6) story building constructed on the Project, the Developer's obligation to pay such rental allowance shall terminate, and the Association shall have a six (6) month option from the date of issuance of such certificate of occupancy to purchase from the Developer an Apartment in the Project of the Developer's choice for use as a residence by the Project's on-site manager. Within fifteen (15) days of the Association's delivery to the Developer of timely notice of its intent to exercise its option, the Association and the Developer shall enter into a sales contract for the purchase and sale of the Apartment. The sales contract shall provide, among other things, that:

(a) the purchase price for the Apartment shall be \$450,000.00;

(b) no down payment shall be required;

(c) the Developer shall finance the purchase by making a loan to the Association in the full amount of the purchase price plus interest to accrue on all unpaid principal at the fixed annual rate of eight percent (8%);

(d) the loan shall have a term of seven years and an amortization period of 25 years, which will require a substantial balloon payment at the end of the loan term;

(e) except for the final balloon payment, the Association shall repay the loan in equal monthly installments of principal and interest in the amount of \$3,302.00. (This amount is in addition to other amounts the Association will be obligated to pay as owner of the Apartment, including lease rent, real property taxes and maintenance fees in the aggregate amount of approximately \$698.00 per month);

(f) on or before the closing date set forth in the sales contract, the Association shall deliver to the

Developer a promissory note in form and substance acceptable to the Developer for the full principal amount of the purchase price plus interest as set forth in the sales contract, made payable to the order of the Developer, together with a purchase money mortgage, security agreement and financing statement in form and substance acceptable to the Developer, giving the Developer a valid first lien on the Association's interest in the Apartment;

(g) concurrently with delivery to the Developer of the promissory note and the mortgage, the Developer shall deliver to the Association a duly executed and recordable instrument conveying to the Board of Directors of the Association on behalf of all owners of Apartments in the Project all of the Developer's right, title and interest in and to the Apartment and all interests in the common elements appurtenant thereto.

In the event that the Association does not exercise the foregoing option within the specified time, or upon delivery to the Association of an instrument conveying the Apartment to the Association, the Developer shall have no further obligations in connection with providing a residence for the Project's on-site manager.

E. Common Expenses. Pursuant to the provisions of section 514A-15 of the Condominium Property Act, the Developer shall initially assume all the actual common expenses for the Project and hereby gives notice to all purchasers and potential purchasers of Apartments in the Project that no Apartment owner shall be obligated for the payment of his respective share of the common expenses for the Project until such time as the Developer files with the Real Estate Commission an amendment to this Public Report which shall provide that, after a date certain specified in such amendment, each Apartment owner shall thereafter be obligated to pay his respective share of common expenses allocated to his Apartment. The amendment shall be filed with the Real Estate Commission at least 30 days in advance of the date specified in the amendment, and after such filing, the Developer shall deliver or cause to be delivered, either by mail or by personal delivery to each Apartment owner whose maintenance expenses were assumed by the Developer, a copy of the amendment.

F. Proxy from Developer. The Developer shall be the initial owner of the Utility Apartment described in the Declaration and in Exhibit "B" to this Public Report. The Utility Apartment initially has appurtenant thereto the Reserved Land described in the Declaration as a limited common element and

6/07/81

an undivided 77.8146% interest in the common elements of the Project. Pursuant to the Condominium Property Act, the undivided common interests appurtenant to apartments are for all purposes, including voting. The Developer's intent in retaining ownership of the Utility Apartment and the Reserved Land and the large common interest appurtenant to the Utility Apartment is, in part, to create an equitable distribution of common expenses and real property taxes between the Developer and the owners of all residential Apartments in the Project prior to completion of all increments of the Project. The Developer does not intend, however, to exercise the voting rights appurtenant to the Utility Apartment. Instead, the Developer shall transfer all voting rights appurtenant to the Utility Apartment to the Board of Directors on behalf of the owners of all existing residential Apartments. This transfer shall be accomplished as part of a Proxy Agreement and Grant executed by the Developer and the Association, a form of which is on file with the Real Estate Commission. The Proxy Agreement and Grant provides, among other things, that:

(a) the Developer constitutes and appoints the Board of Directors, on behalf of the owners of all existing residential Apartments in the Project, as attorney and agent with full power of substitution to act in the Developer's name, place and stead, to vote as the Developer's proxy at all duly called meetings of the Association at which Apartment owners may vote and at any and all adjournments of such meetings, for the transaction of any and all business that may come before the meeting and for which the vote of the owners of a certain percentage of the common interest is required by the Declaration, the Bylaws or the Condominium Property Act, according to the interest in the common elements that the Developer would be entitled to vote as owner of the Utility Apartment if the Developer were present at the meeting;

(b) the Board shall abstain from exercising the Developer's proxy and shall cast none of the Developer's votes on any matter which does not require the vote of the owners of a specified percentage of the total common interest of the Project;

(c) for purposes of establishing a quorum, the voting interest appurtenant to the Utility Apartment shall be counted if, and only if, the owners of residential Apartments to which are appurtenant more than fifty percent (50%) of the aggregate common interest appurtenant to all existing residential Apartments are present at the meeting in person or by proxy;

(d) the proxy shall be given for good and valuable consideration and coupled with an interest and shall be irrevocable;

(e) if the irrevocability of the proxy is challenged, at the Association's request the Developer shall give the Board a new proxy substantially similar to the proxy contained in the Proxy Agreement and Grant prior to any meeting at which votes may be cast;

(f) the percentage vote granted by the Proxy Agreement and Grant shall not be divided but shall be cast by the Board according to the vote of the owners of residential Apartments to which are appurtenant a percentage of the aggregate total common interests appurtenant to all existing residential Apartments equal to or greater than the percentage required by the Declaration, the Bylaws or the Condominium Property Act to decide the matter put to a vote, as follows:

(i) Prior to each meeting of the Association, the Managing Agent for the Project shall, for each then existing residential Apartment, divide the common interest appurtenant to such Apartment by the aggregate common interests appurtenant to all then existing residential Apartments. The resulting fraction, expressed as a percentage, shall be the "Adjusted Common Interest" for the Apartment for purposes of determining how to cast the Developer's Utility Apartment votes.

(ii) The owners of residential Apartments shall then cast their votes, and the votes shall be counted both according to the Adjusted Common Interests and according to the actual common interests appurtenant to the voting Apartments.

(iii) If the matter voted upon requires an affirmative vote of (for example) at least 75% of the common interests, the Board shall cast the Developer's Utility Apartment votes according to the vote of the owners of residential Apartments to which are appurtenant at least 75% of the Adjusted Common Interests. If a vote of at least 75% (or whatever other percentage was required) of the Adjusted Common Interests was not obtained, the Board shall not cast the Developer's Utility Apartment votes.

(iv) If a sufficient percentage vote of the Adjusted Common Interests was obtained and the Developer's Utility Apartment votes were properly cast, all votes cast (including the Developer's Utility Apartment votes) shall be counted according to the actual common interests appurtenant to the voting Apartments (including the Utility Apartment), and the matter voted upon shall be so decided.

G. Membership in Other Associations. The Project is subject to the covenants, restrictions and other provisions of (i) that certain Declaration of Protective Provisions dated September 5, 1989, recorded in the Bureau of Conveyances in Book 23720, Page 249, as the same may be amended from time to time (the "Marina Declaration"), and (ii) that certain Declaration of Protective Provisions for Luna-Kai Marina Park dated March 1, 1971, recorded in the Bureau in Book 7444, Page 188, as the same may be amended from time to time (the "Park Declaration").

Under the Marina Declaration, each Apartment owner will be required to become a member in the Hawaii Kai Marina Home Owners Association (the "Home Owner's Association"). As a member of the Home Owner's Association, each Apartment owner (together with other members) shall be required to pay charges, fees and assessments for the operation, care and maintenance of the pond and waterways covered by and described in the Marina Declaration (the "Marina"). It is anticipated that the lease of the Marina currently held by Hawaii Kai Development Company, a Nevada corporation, as lessee, will be assigned to the Home Owners Association and thereafter the Home Owners Association will be responsible for operation, care and maintenance of the Marina and that each Apartment owner will be required to pay fees and assessments therefor to the Home Owners Association.

In addition to the Marina Declaration, the use of the Marina is governed by the Hawaii Kai Marina Rules and Regulations, which are subject to change from time to time. These rules currently allow water skiing in designated areas of the Marina. The waterway adjacent to this Project is currently a designated water ski area. Each potential purchaser is advised that there will be some noise and wave action caused by boating activity in the Marina.

Under the Park Declaration, each Apartment owner will be required to become a member in the Luna-Kai Marina Park Association described in the Park Declaration. Pursuant to the terms of the Park Declaration, each Apartment owner (together with the owners of apartments in two other adjacent condominium projects) will be required to pay charges, fees and assessments for the improvement, operation, care and maintenance of the Marina

Park. The use of the Marina Park shall be governed by rules and regulations adopted from time to time by the Park Association, as provided in the Park Declaration.

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

Preliminary Report: Sales made by the Developer are not binding on the prospective buyer. Sales made by the Developer may be binding on the Developer unless the Developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

1. The Developer delivers to the buyer a copy of:
 - a. Either the Final Public Report OR the Supplementary Public Report which has superseded the Final Public Report;
AND
 - b. Any other public report issued by the Commission prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
2. The buyer is given an opportunity to read the report(s); and
3. One of the following has occurred:
 - a. The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - b. Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - c. The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

1. There is a material change in the condominium which directly, substantially, and adversely affects (a) the use or value of the buyer's apartment or its limited common elements; or (b) the amenities available for buyer's use; and
2. The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

B. Rights Under the Sales Contract:

Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the condominium. These include but are not limited to the:

1. Condominium Public Reports issued by the Hawaii Real Estate Commission.
2. Declaration of Condominium Property Regime and Condominium Map.
3. Bylaws of the Association of Apartment Owners.
4. House Rules.
5. Escrow Agreement.
6. Hawaii's Condominium Law (Chapter 614A, HRS, as amended; Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission).
7. Other Residence Lease; Subsidy Agreement

If these documents are not in final form, the buyer should ask to see the most recent draft.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Law (Chapter 514A, HRS, and Hawaii Administrative Rules, Chapter 16-107) are available at the Department of Commerce and Consumer Affairs, 1010 Richards Street, P. O. Box 541, Honolulu, HI 96809.

This Public Report is a part of Registration No. 2432 filed with the Real Estate Commission on
May 1, 1991

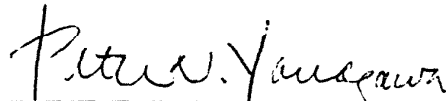
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Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the date of issuance unless a Supplementary Public Report is issued or unless the Commission issues an order extending the effective period for the report.



PETER N. YANAGAWA, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

Bureau of Conveyances

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

Federal Housing Administration

5/13/81

EXHIBIT "A"

REAL ESTATE BROKERS

There are currently two principal Real Estate Brokers for the Project:

Bradley Properties, Ltd.
6600 Kalaniana'ole Highway
Honolulu, Hawaii 96825
Phone: (808) 396-6122
Hawaii License No. RB 8996

Linda N. Wu Investments
6600 Kalaniana'ole Highway
Honolulu, Hawaii 96825
Phone: (808) 545-7816
Hawaii License No. RB 13677

EXHIBIT "B"DESCRIPTION OF APARTMENTS

The Project initially contains a total of one hundred twenty-one (121) apartments consisting of one hundred eighteen (118) Residential Apartments located in thirteen (13) Residential Buildings, two (2) recreational Yacht Club Apartments located in the Yacht Club Building, and one (1) Utility Apartment, also located in the Yacht Club Building.

Each Apartment shall be deemed to include the walls and partitions which are not load-bearing and which are within its perimeter walls and/or boundary lines; doors and door frames; windows and window frames; the inner decorated or finished surfaces of walls, floors and ceilings; the air space within the Apartment's perimeter walls; all ducts, pipes, wires and conduits which serve only such Apartment; and all fixtures originally installed therein, including, but not limited to, the water heater and the air handler(s) serving such Apartment. The Apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or of the interior load-bearing walls, the floors and ceilings surrounding each Apartment, or any pipes, wires, ducts, conduits, or other utility or service lines running through such Apartments which are utilized for or serve more than one Apartment, or the lanais abutting such Apartments, all of which are Common Elements.

There are ten (10) types of Residential Apartments shown on the Condominium Map and designated as types ONE-A, TWO-A, TWO-B, TWO-C, TWO-D, TWO-E, THREE-A, THREE-B, THREE-C, and THREE-D.

Type ONE-A, TWO-A and TWO-B Apartments are located on the first floor of Ten-Plex Buildings. Type TWO-C Apartments are located on the second floor of Ten-Plex Buildings. Type THREE-A and THREE-B Apartments are located on the second and third floors of Ten-Plex Buildings.

Type TWO-D and TWO-E Apartments are located on the first floor of Eight-Plex Buildings. Type THREE-C Apartments are located on the second floor of Eight-Plex Buildings. Type THREE-D Apartments are located on the second and third floors of Eight-Plex Buildings.

NOTE: UNLESS OTHERWISE NOTED, IN THE FOLLOWING DESCRIPTIONS, "NET LIVING AREA" MEANS THE AREA CONSISTING OF THE ENCLOSED PORTION OF THE APARTMENT MEASURED FROM THE INTERIOR SURFACE OF THE APARTMENT PERIMETER WALLS; "GROSS LIVING AREA" MEANS THE AREA CONSISTING OF THE SPACE

WITHIN THE EXTERIOR FACE OF THE PERIMETER NON-PARTY WALLS AND THE INTERIOR HALF OF THE PARTY WALLS OF THE APARTMENT SPACE, AND THE SPACE OCCUPIED BY ALL PARTITIONS AND WALLS, BOTH LOAD-BEARING AND NONLOAD-BEARING, ALL AIR SHAFTS, AND ALL PLUMBING, MECHANICAL AND ELECTRICAL CHASES WITHIN SUCH PERIMETER AND PARTY WALLS; "LANAI AREA" MEANS THE APPROXIMATE GROSS AREA OF ALL LANAIS APPURTENANT TO AN APARTMENT AS A LIMITED COMMON ELEMENT; AND "TOTAL GROSS AREA" MEANS THE GROSS LIVING AREA OF THE APARTMENT PLUS THE APPURTENANT LANAI AREA. ALL AREAS ARE APPROXIMATE ONLY. THE AREAS OF THE APARTMENTS UPON COMPLETION ARE LIKELY TO VARY SOMEWHAT. LANAIS ARE NOT PART OF THE APARTMENTS BUT ARE LIMITED COMMON ELEMENTS APPURTENANT THERETO.

There are fourteen (14) type ONE-A Apartments. Each type ONE-A Apartment has one (1) story and contains one (1) bedroom, one (1) bathroom, a kitchen and a living/dining area, and has a net living area of 996 square feet, a gross living area of 1,050 square feet, an appurtenant lanai area of 195 square feet, and a total gross area of 1,245 square feet.

There are fourteen (14) type TWO-A Apartments. Each type TWO-A Apartment has one (1) story and contains two (2) bedrooms, two (2) bathrooms, a kitchen and a living/dining area, and has a net living area of 1,371 square feet, a gross living area of 1,427 square feet, an appurtenant lanai area of 299 square feet, and a total gross area of 1,726 square feet.

There are seven (7) type TWO-B Apartments. Each type TWO-B Apartment has one (1) story and contains two (2) bedrooms, two (2) bathrooms, a kitchen and a living/dining area, and has a net living area of 1,706 square feet, a gross living area of 1,791 square feet, an appurtenant lanai area of 495 square feet, and a total gross area of 2,286 square feet.

There are fourteen (14) type TWO-C Apartments. Each type TWO-C Apartment has one (1) story and contains two (2) bedrooms, two (2) bathrooms, a kitchen and a living/dining area, and has a net living area of 1,644 square feet, a gross living area of 1,725 square feet, an appurtenant lanai area of 241 square feet, and a total gross area of 1,966 square feet.

There are twelve (12) type TWO-D Apartments. Each type TWO-D Apartment has one (1) story and contains two (2) bedrooms, two (2) bathrooms, a kitchen and a living/dining area, and has a net living area of 1,547 square feet, a gross living area of 1,618 square feet, an appurtenant lanai area of 376 square feet, and a total gross area of 1,994 square feet.

There are twelve (12) type TWO-E Apartments. Each type TWO-E Apartment has one (1) story and contains two (2) bedrooms, two (2) bathrooms, a kitchen and a living/dining area, and has a net living area of 1,256 square feet, a gross living area of 1,322 square feet, an appurtenant lanai area of 202 square feet, and a total gross area of 1,524 square feet.

There are fourteen (14) type THREE-A Apartments. Each type THREE-A Apartment has two (2) stories and contains three (3) bedrooms, three and one-half (3½) bathrooms, a family room, a kitchen and a living/dining area, and has a net living area of 2,266 square feet, a gross living area of 2,403 square feet, an appurtenant lanai area of 299 square feet, and a total gross area of 2,702 square feet.

There are seven (7) type THREE-B Apartments. Each type THREE-B Apartment has two (2) stories and contains three (3) bedrooms, three (3) bathrooms, a family room, a kitchen and a living/dining area, and has a net living area of 2,386 square feet, a gross living area of 2,533 square feet, an appurtenant lanai area of 495 square feet, and a total gross area of 3,028 square feet.

There are twelve (12) type THREE-C Apartments. Each type THREE-C Apartment has one (1) story and contains three (3) bedrooms, two and one-half (2½) bathrooms, a family room, a kitchen and a living/dining area, and has a net living area of 2,048 square feet, a gross living area of 2,148 square feet, an appurtenant lanai area of 241 square feet, and a total gross area of 2,591 square feet.

There are twelve (12) type THREE-D Apartments. Each type THREE-D Apartment has two (2) stories and contains three (3) bedrooms, two and one-half (2½) bathrooms, a family room, a kitchen and a living/dining area, and has a net living area of 2,077 square feet, a gross living area of 2,212 square feet, an appurtenant lanai area of 365 square feet, and a total gross area of 2,577 square feet.

There are two (2) Yacht Club Apartments, designated on the Condominium Map as "YC-1" and "YC-2."

YC-1 (called the "First Floor Yacht Club Apartment" in the Declaration) is located on the first floor of the Yacht Club Building and contains two (2) rooms designated on the Condominium Map as "Bar" and "Food Storage." The Apartment includes (i) the counter area separating the Apartment from the common area designated on the Condominium Map as "Lounge," and (ii) the cooking area adjacent to the Bar area, all as shown on the Condominium Map. The Apartment has an approximate net living area

6/7/91

(consisting of the area outlined in red on the Condominium Map) of 332 square feet and an approximate gross living area (consisting of the space within the area outlined in red on the Condominium Map, plus the space within the exterior face of all perimeter walls enclosing the Apartment, and all air shafts, plumbing, mechanical and electrical chases within such perimeter walls) of 345 square feet. YC-1 has no lanai.

YC-2 (called the "Second Floor Yacht Club Apartment" in the Declaration) consists of the entire second floor of the Yacht Club Building (excluding abutting lanais which are Limited Common Elements appurtenant to such Apartment) and contains three (3) rooms, a corridor area and a reception area, as shown on the Condominium Map. The Apartment has an approximate net living area (consisting of the area outlined in red on the Condominium Map) of 1185 square feet, an approximate gross living area (consisting of the space within the area outlined in red on the Condominium Map, plus the space within the exterior face of all perimeter walls enclosing the Apartment, and all air shafts, plumbing, mechanical and electrical chases within such perimeter walls) of 1264 square feet, an approximate net lanai area of 544 square feet, and a total gross area of 1808 square feet.

There is one Utility Apartment located on the first floor of the Yacht Club Building and designated on the Condominium Map as "Utility Apartment." The Utility Apartment contains one (1) room and has an approximate net living area of 81 square feet, and an approximate gross living area of 108 square feet.

EXHIBIT "C"

PARKING STALL ASSIGNMENTS

GROSS LIVING AREAS

APARTMENT NUMBERS AND TYPES

And

COMMON INTERESTS

Apartment Number	Apartment Type	*Parking Stall Number	**Gross Living Area (square feet)	**Common Interest
Park 1-11	TWO-D	5C	1,618	0.1694%
Park 1-12	TWO-E	6C	1,322	0.1384%
Park 1-13	TWO-E	13	1,322	0.1384%
Park 1-14	TWO-D	15	1,618	0.1694%
Park 1-21	THREE-C	2	2,148	0.2248%
Park 1-22	THREE-D	3C	2,212	0.2315%
Park 1-23	THREE-D	12	2,212	0.2315%
Park 1-24	THREE-C	16	2,148	0.2248%
Park 2-11	TWO-D	22C	1,618	0.1694%
Park 2-12	TWO-E	20C	1,322	0.1384%
Park 2-13	TWO-E	34C	1,322	0.1384%
Park 2-14	TWO-D	35C	1,618	0.1694%
Park 2-21	THREE-C	23C	2,148	0.2248%
Park 2-22	THREE-D	24C	2,212	0.2315%
Park 2-23	THREE-D	33C	2,212	0.2315%
Park 2-24	THREE-C	32C	2,148	0.2248%
Park 3-11	TWO-D	38C	1,618	0.1694%
Park 3-12	TWO-E	39	1,322	0.1384%
Park 3-13	TWO-E	47C	1,322	0.1384%
Park 3-14	TWO-D	48C	1,618	0.1694%
Park 3-21	THREE-C	42	2,148	0.2248%
Park 3-22	THREE-D	43	2,212	0.2315%
Park 3-23	THREE-D	51C	2,212	0.2315%
Park 3-24	THREE-C	52	2,148	0.2248%
Lagoon 4-11	ONE-A	95	1,050	0.1099%
Lagoon 4-12	TWO-A	100	1,427	0.1494%
Lagoon 4-13	TWO-B	103	1,791	0.1875%
Lagoon 4-14	TWO-A	96	1,427	0.1494%
Lagoon 4-15	ONE-A	94	1,050	0.1099%

4/27/81

Apartment Number	Apartment Type	*Parking Stall Number	**Gross Living Area (square feet)	**Common Interest
Lagoon 4-21	TWO-C	102	1,725	0.1806%
Lagoon 4-22	THREE-A	108	2,403	0.2515%
Lagoon 4-23	THREE-B	107	2,533	0.2651%
Lagoon 4-24	THREE-A	109	2,403	0.2515%
Lagoon 4-25	TWO-C	101	1,725	0.1806%
Lagoon 5-11	ONE-A	129	1,050	0.1099%
Lagoon 5-12	TWO-A	128	1,427	0.1494%
Lagoon 5-13	TWO-B	124	1,791	0.1875%
Lagoon 5-14	TWO-A	127	1,427	0.1494%
Lagoon 5-15	ONE-A	130	1,050	0.1099%
Lagoon 5-21	TWO-C	126	1,725	0.1806%
Lagoon 5-22	THREE-A	122	2,403	0.2515%
Lagoon 5-23	THREE-B	121	2,533	0.2651%
Lagoon 5-24	THREE-A	123	2,403	0.2515%
Lagoon 5-25	TWO-C	125	1,725	0.1806%
Waterfront 8-11	ONE-A	18C	1,050	0.1099%
Waterfront 8-12	TWO-A	8C	1,427	0.1494%
Waterfront 8-13	TWO-B	1H	1,791	0.1875%
Waterfront 8-14	TWO-A	7C	1,427	0.1494%
Waterfront 8-15	ONE-A	17C	1,050	0.1099%
Waterfront 8-21	TWO-C	14	1,725	0.1806%
Waterfront 8-22	THREE-A	11	2,403	0.2515%
Waterfront 8-23	THREE-B	10	2,533	0.2651%
Waterfront 8-24	THREE-A	9C	2,403	0.2515%
Waterfront 8-25	TWO-C	4C	1,725	0.1806%
Waterfront 9-11	ONE-A	36C	1,050	0.1099%
Waterfront 9-12	TWO-A	30C	1,427	0.1494%
Waterfront 9-13	TWO-B	31C	1,791	0.1875%
Waterfront 9-14	TWO-A	21C	1,427	0.1494%
Waterfront 9-15	ONE-A	19C	1,050	0.1099%
Waterfront 9-21	TWO-C	29C	1,725	0.1806%
Waterfront 9-22	THREE-A	28C	2,403	0.2515%
Waterfront 9-23	THREE-B	27C	2,533	0.2651%
Waterfront 9-24	THREE-A	26C	2,403	0.2515%
Waterfront 9-25	TWO-C	25C	1,725	0.1806%
Waterfront 10-11	ONE-A	55	1,050	0.1099%
Waterfront 10-12	TWO-A	50C	1,427	0.1494%
Waterfront 10-13	TWO-B	53H	1,791	0.1875%
Waterfront 10-14	TWO-A	40	1,427	0.1494%
Waterfront 10-15	ONE-A	37C	1,050	0.1099%
Waterfront 10-21	TWO-C	49C	1,725	0.1806%

Apartment Number	Apartment Type	*Parking Stall Number	**Gross living Area (square feet)	**Common Interest
Waterfront 10-22	THREE-A	46C	2,403	0.2515%
Waterfront 10-23	THREE-B	45	2,533	0.2651%
Waterfront 10-24	THREE-A	44	2,403	0.2515%
Waterfront 10-25	TWO-C	41	1,725	0.1806%
Waterfront 11-11	ONE-A	67	1,050	0.1099%
Waterfront 11-12	TWO-A	66	1,427	0.1494%
Waterfront 11-13	TWO-B	61C	1,791	0.1875%
Waterfront 11-14	TWO-A	56	1,427	0.1494%
Waterfront 11-15	ONE-A	60C	1,050	0.1099%
Waterfront 11-21	TWO-C	65	1,725	0.1806%
Waterfront 11-22	THREE-A	64	2,403	0.2515%
Waterfront 11-23	THREE-B	63	2,533	0.2651%
Waterfront 11-24	THREE-A	62C	2,403	0.2515%
Waterfront 11-25	TWO-C	54	1,725	0.1806%
Waterfront 12-11	TWO-D	82C	1,618	0.1694%
Waterfront 12-12	TWO-E	81C	1,322	0.1384%
Waterfront 12-13	TWO-E	78C	1,322	0.1384%
Waterfront 12-14	TWO-D	80C	1,618	0.1694%
Waterfront 12-21	THREE-C	84C	2,148	0.2248%
Waterfront 12-22	THREE-D	83C	2,212	0.2315%
Waterfront 12-23	THREE-D	77C	2,212	0.2315%
Waterfront 12-24	THREE-C	79C	2,148	0.2248%
Waterfront 13-11	ONE-A	86C	1,050	0.1099%
Waterfront 13-12	TWO-A	88C	1,427	0.1494%
Waterfront 13-13	TWO-B	89	1,791	0.1875%
Waterfront 13-14	TWO-A	87C	1,427	0.1494%
Waterfront 13-15	ONE-A	85C	1,050	0.1099%
Waterfront 13-21	TWO-C	91	1,725	0.1806%
Waterfront 13-22	THREE-A	93	2,403	0.2515%
Waterfront 13-23	THREE-B	99	2,533	0.2651%
Waterfront 13-24	THREE-A	92	2,403	0.2515%
Waterfront 13-25	TWO-C	90	1,725	0.1806%
Waterfront 14-11	TWO-D	106H	1,618	0.1694%
Waterfront 14-12	TWO-E	112	1,322	0.1384%
Waterfront 14-13	TWO-E	104	1,322	0.1384%
Waterfront 14-14	TWO-D	105	1,618	0.1694%
Waterfront 14-21	THREE-C	110	2,148	0.2248%
Waterfront 14-22	THREE-D	111	2,212	0.2315%
Waterfront 14-23	THREE-D	98	2,212	0.2315%
Waterfront 14-24	THREE-C	97	2,148	0.2248%

Apartment Number	Apartment Type	*Parking Stall Number	**Gross living Area (square feet)	**Common Interest
Waterfront 15-11	TWO-D	116C	1,618	0.1694%
Waterfront 15-12	TWO-E	114C	1,322	0.1384%
Waterfront 15-13	TWO-E	113C	1,322	0.1384%
Waterfront 15-14	TWO-D	115C	1,618	0.1694%
Waterfront 15-21	THREE-C	120C	2,148	0.2248%
Waterfront 15-22	THREE-D	118C	2,212	0.2315%
Waterfront 15-23	THREE-D	117C	2,212	0.2315%
Waterfront 15-24	THREE-C	119C	2,148	0.2248%
***Utility Apartment		57C	108	77.8146%
		70		
		187		
		188		
		189		
		190		
		191		
		192		
		193		
		194		
		195		
		196		
		212		
		213		
		214		
		215		
		216		
		217		
		271H		
YC-1		244H	345	0.0361%
		245		
		246		
		247		
		248		
		249		
		250		
		251		
		252		
		253TL		
		254T		
		255T		
		256T		
YC-2		None	1,264	0.1323%
<u>TOTAL COMMON INTERESTS:</u>				100.0000%

<u>Guest Stalls</u>	<u>Stall Number</u>
	58C 267
	59C 268
	68 269
	69 270
	71C 272
	72C 273
	73C 274
	74C 275
	75C 276
	76C 277
	258 278
	259 279
	260 280
	261 281
	262 282
	263 283
	264 284
	265 285
	266 286

Loading Stall	257
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LEGEND: Letters following parking stall numbers have the following meanings:

C - Compact Stall
H - Handicapped Stall
T - Trailer Stall
TL - Trailer Loading and Unloading Only

NUMBER OF UNCOVERED PARKING STALLS BY TYPE:

Regular Stalls:	112
Compact Stalls:	67
Trailer Stalls:	3
Trailer Loading:	1
Loading:	1
Handicapped Stalls:	5
Total Uncovered Stalls:	189

- * The parking stall numbers and assignments above are for uncovered parking stalls. In addition to uncovered stalls, each Apartment (except YC-1, YC-2 and the Utility Apartment) shall also have an appurtenant covered parking stall located in the same Building as the Apartment. There are a total of one hundred eighteen (118) covered parking stalls. Each covered stall in a given Building has a two-digit number as shown on the Condominium Map, and is appurtenant to and for the exclusive use of the Apartment in the same Building which has the same last two digits in its Apartment number. For example, Apartment Park 1-11 has appurtenant thereto covered parking stall number 11 in the Park 1 Building.
- ** Gross living areas do not include the area of appurtenant lanais. The gross areas of lanais appurtenant to the different Apartment types and the net living areas of the Apartment types are as shown in the Declaration and in Exhibit "B" to this Public Report. Common Interests are computed on the basis of gross living area.
- *** The Utility Apartment shall initially be owned by the Developer. The Developer may (but is not obligated to) subsequently assign one or more of the parking stalls originally assigned to the Utility Apartment to other Apartments in the Project, or Apartments subsequently added to the Project pursuant to the Declaration.

EXHIBIT "D"

PROJECT AMENITIES

The Project shall include the following recreational amenities for the exclusive use of members of the Association of Apartment Owners:

1. A swimming pool and spa area;
2. A private Health Club building with facilities for sauna, massage, weight training, aerobic exercise, men's and women's lockers and showers;
3. A lounge area in the Yacht Club building;
4. Two tennis courts;
5. A private boat launching and temporary mooring area; and
6. A fresh water lagoon area.

Members of the Association shall also have the right to use a private park area adjacent to the Project, together with the owners of apartments in the Esplanade and the Kaimala Marina condominium projects.

The first increment of Phase I of the Project shall include approximately thirty-nine (39) Boat Slips to be constructed in the area described in the Declaration as "Boat Mooring Area." The Developer anticipates that the Phase I of the Project shall include a total of approximately one hundred forty (140) Boat Slips if and when all increments of Phase I are completed. In the Developer's sole discretion, some Boat Slips may be offered for sale to Apartment Owners, but in no event shall all Apartment Owners be able to purchase a Boat Slip. A Boat Slip purchased by an Apartment Owner shall become a limited common element appurtenant to such Owner's Apartment.

EXHIBIT "E"

DEVELOPER'S RIGHTS REGARDING CHANGES TO DOCUMENTS

For so long as the Developer is the owner of all Apartments in the Project, the Developer may change all of the Project's documents at any time. Under the Sales Contract, however, the Developer agrees not to make certain changes which will: (a) require a substantial physical change in the Project (excluding such changes as are made in connection with the incremental development of the Project); (b) reduce the Developer's obligations for common expenses on unsold Apartments; (c) substantially impair or modify any of the obligations given or undertaken by the Developer; or (d) render unenforceable any commitment for a loan obtained by the Buyer for the purpose of paying all or part of the purchase price of an Apartment.

Puruant to paragraphs 18, 19 and 20 of the Declaration, the Developer has reserved various development, deletion and merger rights in connection with the Developer's current plans for the incremental development of the Project. Such rights are discussed generally in Exhibit "N" to this Public Report. The Developer has also reserved the right to amend the Declaration and Condominium Map, without the approval or consent of Apartment owners or their mortgagees, as necessary and appropriate to facilitate and reflect changes made to the Project pursuant to the exercise of the Developer's development, deletion and merger rights, or as necessary to reflect changes in the Developer's plans for future development of the Project. Such amendments may include the conversion of certain limited common elements appurtenant to the Utility Apartment to common elements and changes in the common interests initially appurtenant to the Apartments.

Under paragraph (5.6) of the Declaration, the Developer has reserved the further right to construct Boat Slips in the Boat Mooring Area described in the Declaration, and to amend the Declaration from time to time to show the designations of such Boat Slips.

Under paragraph (23.2) of the Declaration, the Developer may amend the Declaration in any manner at any time prior to the first recording in the Bureau of a conveyance of an Apartment to anyone other than the Developer, without approval or consent of any Apartment purchaser.

After completion of the Buildings described in the Declaration or any subsequently added buildings, the Developer may from time to time, and without the consent of Apartment owners or

8/18/91

their mortgagees, amend the Declaration under paragraph (23.3) to file the verified statement of a registered architect or professional engineer certifying that the final plans of such Buildings fully and accurately depict the Project as built.

For so long as the Developer retains the development, deletion and merger rights reserved to the Developer in the Declaration, the Developer shall also have the right to approve certain proposed actions of the Association and amendments to the Declaration and Bylaws, as more fully set forth therein.

EXHIBIT "F"

PENINSULA AT HAWAII KAI PHASE I

SUMMARY OF RESIDENTIAL CONDOMINIUM RESIDENCE LEASE

This is a summary of selected information contained in the Residence Lease (the "Lease") described below. Of course, there is no substitute for reading the Lease itself. This document does not and cannot change the Lease, and, if there is any discrepancy between this summary and the terms of the Lease, the Lease controls.

The term "Residence" as used in this summary refers to an "apartment" as that term is defined in section 514A-3, Hawaii Revised Statutes, as amended.

PART I: IMPORTANT PROVISIONS IN THE RESIDENCE LEASE

1. PROPERTY LEASED:

a. Condominium Project: PENINSULA AT HAWAII KAI PHASE I (the "Project").

b. Tax Map Key: 3-9-08:16

c. Residence No.: _____ (the "Residence").

d. Increment Phase No.: I

e. Undivided Common Interest: _____

f. Garage: _____

g. Open Parking Space(s): _____

h. Tenancy: _____

The term "Premises" means the Residence and all limited common elements which are assigned to the Residence (such as a parking space) and the Residence's percentage in all other common elements (see section e. above).

2. NAME OF LESSOR; LESSEE: The Trustees of the Estate of Bernice Pauahi Bishop are the lessors ("Lessor"). The term "Lessee" refers to the person who is the party leasing the leasehold interest under the Lease.

8/7/91

3. LENGTH OF LEASE TERM: Fifty-five (55) years, commencing on October 1, 1991, and ending on September 30, 2046.

4. FIXED LEASE RENT(*):

- a. \$_____ per year from the date the term starts (the "Commencement Date") to September 30, 2001.
- b. \$_____ per year from October 1, 2001 to September 30, 2011.
- c. \$_____ per year from October 1, 2011 to September 30, 2021.

5. LEASE RENT RENEGOTIATION DATES:

October 1, 2021 (see section 6. below); and
October 1, 2036 (see section 6. below).

6. HOW RENEGOTIATED LEASE RENTS ARE TO BE CALCULATED:

For the fifteen (15) year period of the Lease commencing on October 1, 2021, and the ten (10) year period commencing on October 1, 2036, the rent per year may be set by written agreement of Lessor and Lessee.

If Lessor and Lessee fail to agree on the rent per year at least 90 days before the beginning of each period, the rent per year will be equal to the greater of (i) Lessee's proportionate share (see section 1.e above) of eight percent (8%) of the then fair market value of the land described in the Condominium Declaration (as defined below) as determined by appraisal (as described below), or (ii) Lessee's proportionate share of the then fair market rental value of said land as determined by appraisal. Whenever the fair market value or fair market rental value of the land is considered, it will not take into account any buildings on the land but will take into account the nature and extent of approved development in respect to the land.

7. APPRAISAL: If the fair market value or the fair market rental value of the land described in the Condominium Declaration must be decided by appraisal, the appraisal will be

(*) Note: The rent figures are for base rent. The Lease requires the Lessee to pay other charges such as real property taxes, assessments, and so on. Buyer should check to see what added charges apply.

done by three impartial real estate appraisers. Lessor and Lessee (either individually or through the Association of Apartment Owners (the "Association")) will each appoint one appraiser. If either Lessee or Lessor does not name an appraiser, the one who has named an appraiser can give the other a ten-day notice and then ask a judge for appointment of the second appraiser. The two appraisers will then appoint the third appraiser. If the two appraisers fail to appoint the third appraiser within ten days after the second appraiser is appointed, either party may ask a judge to have a third appraiser appointed. The decision made by at least two of the appraisers as to the renegotiated lease rent is final and binding on both parties. Each party shall pay one-half the costs and expenses of the appraisal with the exception of attorneys' fees.

8. FREQUENCY OF LEASE PAYMENT BY LESSEE: Each year Lessee will pay rent in advance in two equal installments. The first installment will be paid October 1; the second installment will be paid April 1.

9. SURRENDER-LESSEE WILL RETURN THE PREMISES AT THE END OF THE TERM: At the end of the term of the Lease or any sooner termination of the Lease, Lessee will return the Premises to Lessor, with any and all improvements that have been made to it, in good repair and condition except for reasonable wear and tear and as otherwise provided in the Lease.

PART II: ADDITIONAL PROVISIONS IN THE RESIDENCE LEASE

1. THE PROJECT DOCUMENTS: The Project was created by a Declaration of Condominium Property Regime which is dated _____ and recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") as Document No. _____ (the "Condominium Declaration"). The Project will be administered by Bylaws of the Association of Apartment Owners, dated _____, and recorded in the Bureau as Document No. _____ (the "Bylaws"). Condominium Map No. _____ was filed with the Condominium Declaration and Bylaws and shows the land, the buildings, the floor plans of residences, and the parking stalls of the Project (the "Condominium Map"). When the terms "Condominium Declaration," "Bylaws," and/or "Condominium Map" are used in this summary, they include, respectively, the documents described above and any amendments, whether made before or after the Commencement Date of the Lease. The Condominium Declaration, Bylaws and Condominium Map are called the "Project Documents." The Project Documents describe the Project, the way the Project will be managed and the rights and duties of the Residence owners.

Another important document is the Declaration of Merger of Condominium Phases. It provides that the Project may be merged

8/7/81

for administrative purposes with one or more other condominium projects which may be developed in the future on land withdrawn from the Project or on an adjacent parcel, and that following the merger, the merged condominium projects will be administered as a single condominium project with one board of directors, one set of officers and one common expense fund to which all the owners of Residences will contribute.

LESSEE'S COVENANTS:

2. **PAYMENT OF RENT:** Lessee promises to pay the rent to Lessor in United States Dollars. The rent will be paid to Lessor at the office of Lessor or its agent.

3. **TAXES AND ASSESSMENTS:** Lessee promises to pay when due during the term of the Lease all real property taxes and assessments of any kind for the Premises, whether they are charged against the Premises, Lessor or Lessee. Lessee will only pay the taxes and assessments payable during the term of the Lease.

4. **COMMON EXPENSES AND OTHER CHARGES:** Lessee promises to pay when due all assessments for his proportionate share of the common expenses of the Project and all charges, duties, rates and other outgoings of every description to which the Residence or Lessee or Lessor, in respect to the Residence, may during the term of the Lease be assessed or become liable, including all amounts assessed against the Residence pursuant to the terms of the Park Declaration and the Marina Declaration described in paragraph 28 below. Lessee will pay all such rates and charges whether they are assessed to or are payable by either Lessor or Lessee.

5. **IMPROVEMENTS REQUIRED BY LAW:** Lessee promises to pay, through the Association, all costs incurred during the term of the Lease for building, maintaining, or repairing all fences, sewers, drains, curbs, roads, sidewalks and parking areas which are required by law. Such improvements may be on the Project, next to it or for the use of it.

6. **OBSERVANCE OF LAWS AND PROVISIONS OF APPLICABLE DOCUMENTS:** Lessee promises (a) to observe all laws, rules, etc., made by any governmental authority and the Association that apply to the Project, all recorded protective covenants and restrictions affecting the Project and to observe the provisions of the Condominium Declaration; (b) to keep the Residence and the limited common elements and, through the Association, the common elements of the Project in a strictly clean and sanitary condition; and (c) to indemnify Lessor (which means Lessee and not Lessor will pay) against all actions, suits, damages and claims brought or made due to actions of Lessee or any person under him.

7. REPAIR AND MAINTENANCE: Lessee promises at its own expense to keep the Residence and the limited common elements in good order and condition during the term of the Lease, and, through the Association, promises to keep the common elements in good order and condition and keep the land and all adjacent land between any street boundary of the Project and the established curb or street line in a neat and attractive condition.

8. INSPECTION: Lessee promises to allow Lessor and its agents to come into the Residence and the Project at all reasonable times to inspect the condition of the Residence and the Project. If Lessor or its agents gives Lessee and/or the Association written notice to repair defects in the Residence or the common elements, then, within thirty days after the notice is given, such defects are to be repaired.

9. USE: Lessee promises that the Residence will be used only for residential purposes. Lessee will not keep or allow to be kept any livestock, poultry or rabbits in the Residence or on the Project. Lessee will not use or allow the use of the Residence for transient or hotel purposes or as a tenement house, rooming house or for or in connection with the carrying on of any business or trade, except for certain limited "Home Occupations" uses described in the Condominium Declaration. The Residence or any interest of the Residence will not be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including any so-called "vacation license," "travel club membership," or "time-interval ownership" arrangement.

10. BOND: Before Lessee or the Association starts construction of any improvement on the Project, a bond must be given to Lessor. The bond must (a) name Lessor as obligee (one of the people to whom the bonding company is liable); and (b) cover the total construction cost.

11. FIRE INSURANCE: Lessee, through the Association, promises to keep all buildings of the Project insured against loss or damage by fire with extended coverage during the term of the Lease. The insurance (a) will be in an amount as near as practicable to the full replacement cost of the building(s) without deduction for depreciation; (b) will be by blanket policy(ies) written in accordance with the Condominium Declaration; and (c) will name Lessor and the Association as trustee for all Residence owners and mortgagees. Insurance proceeds will be distributed according to the loss or damage to the respective Residences and appurtenant common interests. Lessee retains the right to insure the Residence for its own benefit. Except as expressly provided in the Condominium Declaration, all insurance proceeds shall be used as soon as is

reasonably possible by the Association for rebuilding, repairing or otherwise reinstating the building(s) in a good and substantial manner. Lessee, through the Association, promises to make up any deficiency of the proceeds.

12. LESSOR'S COSTS AND EXPENSES: Lessee promises to pay to Lessor all costs and expenses resulting from Lessor enforcing any covenants of the Lease, remedying any breach by Lessee of any covenants, recovering possession of the Residence, or collecting any delinquent charges payable by Lessee or in connection with any litigation (other than condemnation proceedings) involving Lessee to which Lessor without any fault on its part is made party.

13. LESSEE'S SOLE RISK: Any property of Lessee which is kept in the Residence or the Project is kept at Lessee's sole risk.

14. INDEMNITY: Lessee promises to indemnify Lessor for all claims for payment for loss or damage connected with the use or occupancy of the Residence or Project by Lessee or any person who is invited or allowed on the Project by Lessee, or any fire, accident, nuisance, or other liability in the Residence or Project. Lessee will pay Lessor back for Lessor's costs and expenses incurred in connection with any such claims.

15. LIABILITY INSURANCE: Lessee promises, through the Association, to obtain and maintain during the term of the Lease, comprehensive general liability insurance in accordance with the Condominium Declaration covering all residence owners with respect to the Project. The insurance will name Lessor as additional insured. Lessee has the right to obtain additional liability insurance for the Residence.

16. CONSTRUCTION OF IMPROVEMENTS: Lessee promises that it will not individually or through the Association construct any structures or make any alterations to the Residence or the Project nor place any signs, posters or bills on any building or structure except in accordance with plans and specifications of the proposed addition or alteration, prepared by a licensed architect if required by Lessor, approved in writing by Lessor and the Board of Directors of the Association and also approved by a majority of residence owners (or any larger percentage required) including all owners of residences directly affected.

17. WASTE AND UNLAWFUL USE: Lessee promises that it will not individually or through the Association abuse or destroy any part of the Residence or the Project or use the Residence for any unlawful, improper or offensive purpose.

18. LIENS: Lessee promises to indemnify Lessor against all liens, charges and encumbrances and all related expenses with respect to the Premises which result from any act or neglect of Lessee. A "lien, charge or encumbrance" means, among other things, an interest in or a claim against the Premises by someone other than Lessee.

19. MANAGING AGENT: Through the Association and subject to written approval by Lessor, Lessee promises to appoint and pay a Hawaii corporation as the Managing Agent for the Project. The Managing Agent will directly manage the Project and arrange for the maintenance, repair, rebuilding and restoration of the common elements, collect the assessments for common expenses, and collect and pay all rents, taxes and other charges due under the Lease. Lessee will always be responsible to the Lessor for all its payments and promises in the Lease, even though Lessee is making payments or keeping the promises through the Managing Agent.

GENERAL PROVISIONS:

20. CONDEMNATION: A taking of property for a public purpose by a government authority is called a "condemnation." If the whole of the Residence or the Project or any part of the Residence or Project is condemned, or is sold to the government authority because the government authority threatens to condemn it, then Lessee's interest in the land, buildings or other improvements condemned will end at once. Lessee will not have any claim against Lessor or others for the loss of Lessee's leasehold interest. All the money which is paid by the government authority for the land described in the Condominium Declaration will be paid to the Lessor. All the money which is paid by the government authority for buildings or improvements will be held by a bank or trust company, as a trustee, on behalf of all the residence owners, including Lessee, and their mortgage lenders, according to the loss or damage to their properties.

a. If the Project is Terminated. If so much of the Project is taken that the remaining part of the Project is no longer suitable for the Project's present use, then the Association will have the right to terminate the Project. In order to terminate the Project, the Association must remove the remains of the buildings and restore the land to good orderly condition and level it off. Finally, the Association must get every lessee of a residence lease, including this one, to give the residence lease back to Lessor free of any mortgages or other claims.

b. If Lessee's Residence is Taken. If the whole of the Residence is taken or so much that the rest of the Residence is unsuitable for residential use, then Lessee will have

the right to terminate the Lease. In order to terminate the Lease, Lessee must get the Association to remove the remains of the Residence, restore the remaining common elements to good orderly condition and amend the Project Documents so that there is a new Project without the Residence. Lessee must also give back the Lease to Lessor free of any mortgages or other claims.

If either a. or b. happens, then Lessee may give the Lease back to Lessor and be released from further obligations under the Lease, but only if Lessee pays to Lessor all rent then due and all taxes, assessments and other charges which Lessee would have to pay to Lessor for the year during which Lessee gives back the Lease, adjusted to the date the Lease is given back. If either a. or b. happens and Lessee gives back the Lease and pays what he owes to Lessor, then Lessee and his mortgage lender (if any) will have the right to receive any payments for the Residence and appurtenant common interest in the improvements for the unexpired portion of the Lease (excluding any payments for the land) less Lessee's proportionate share of the Association's costs, except that the Lessee's share shall be no less than the lesser of (i) the aggregate unpaid balance of the lessee's mortgage or (ii) the total amount paid by the government authority for the Residence and its appurtenant interest in the common elements (excluding the land).

c. If the Project is Not Terminated. If the Project is not terminated because of the condemnation, the Association will use the money paid for buildings and improvements to restore the remaining buildings and improvements in the way provided in the Lease and the Condominium Declaration, unless the restoration or replacement is impractical.

d. If Only a Leasehold is Condemned. If the government authority condemns only a leasehold interest, for a term that is shorter than the Lease, then the Lease will not be terminated because of the condemnation. Lessee will still have to keep all the promises under the Lease that Lessee is capable of keeping. Lessee can make a claim against the government authority for all the money the government authority must pay for the condemnation.

21. ASSIGNMENTS: Lessee may assign (transfer) the Lease without Lessor's consent or approval. The person receiving the Lease will have the same rights and obligations under the Lease as Lessee. The transfer will not be effective unless and until Lessor receives (a) either a complete signed copy of the transfer or written notice of the transfer; (b) a written promise to Lessor from the person receiving the Lease, to keep all Lessee's promises under the Lease (the promise may be included in the transfer document); and (c) a reasonable service charge. Although the transfer itself does not require Lessor's consent, Lessee will not

be released from his promises without a written consent from Lessor.

22. PROTECTIONS FOR LESSEE'S MORTGAGE LENDER: Lessee may assign (transfer) the Lease as security for a loan. This transfer is called a "mortgage." The lender is called Lessee's "mortgage lender." Lessee does not need Lessor's consent or approval to give a mortgage but must give Lessor a signed copy of the mortgage or written notice of it. The Lease contains provisions which protect and benefit Lessee's mortgage lender.

23. DEFEASANCE: Lessee will be considered in default under the Lease if any of these things happen (a) Lessee fails to pay the rent or any part of the rent within thirty (30) days after it is due; (b) Lessee fails to observe or perform any of the other promises or agreements contained in the Lease and the failure continues for thirty (30) days after Lessee has been given written notice of the default; (c) Lessee abandons the Premises; or (d) the Lease or any interest of Lessee under the Lease is sold under attachment or execution (the Lease is taken by a court to satisfy a judgment against Lessee, except a foreclosure of a mortgage allowed by the Lease). If Lessee is in default, Lessor may immediately take possession of the Premises. Whether or not Lessor takes possession, Lessor may terminate the Lease. None of these actions by Lessor will prevent Lessor from seeking any other remedy it has for overdue rent or for any other default under the Lease.

If the Association fails to keep any promise, which the Lessee promises to keep through the Association, then the Association's failure will not be considered a default by Lessee so long as Lessee uses his best efforts to get the Association to keep the promise and so long as Lessee pays Lessee's proportionate share of all common expenses within thirty days after the due date.

24. INCIDENTS OF RESIDENCE OWNERSHIP: Except as otherwise provided in the Lease, Lessee during the term of the Lease will be considered the owner of the Residence for all purposes of the Condominium Declaration and Bylaws. Lessee will have all rights, privileges, duties and obligations of an owner, including, among others, membership and the right to vote in the Association. Lessee's vote on certain matters specified in the Lease, however, will not be effective without the written approval or consent Lessor.

25. MISCELLANEOUS: Acceptance of rent by Lessor or its agent will not be considered a waiver of any breach by Lessee of any covenant of the Lease or of Lessor's right of re-entry for breach of condition. Any waiver of any breach by the Lessee will not extinguish the term, covenant or condition whose breach has

been waived nor will the waiver be considered a waiver of Lessor's right to declare a forfeiture for any other breach. Any required approval or consent by Lessor shall not be capriciously or unreasonably withheld. When the word "Lessor" or "Lessee," or any pronoun used in place of such words, is used in the Lease, this includes the Lessor and Lessee listed on the first page and includes masculine and feminine, singular and plural, individuals firms and corporations, jointly and severally (together as well as separately) and each of their heirs, personal representatives, successor and assigns (any person taking over Lessor's or Lessee's position in the Lease). This means, among other things, that each person who is part of Lessor or Lessee will be responsible by himself for keeping all of the promises of Lessor or Lessee.

26. LESSOR HAS NOT CONTROLLED OR PARTICIPATED IN CONSTRUCTION OF THE IMPROVEMENTS: The Lease provides for Lessee to acknowledge that Lessor has not controlled or participated, in any way, either as a joint venturer or in any other capacity, in the planning or construction of any buildings or other improvements in the Project or any part of the Project (the "Improvements"). All approvals of plans and specifications covering the Improvements were given by Lessor without Lessor's conducting an independent investigation into, among other things, the legality and integrity of the Improvements. Lessee agrees and declares as part of the exchange to Lessor for Lessor's issuing the Lease, that Lessee has waived and does hereby waive (in other words, gives up) any and all claims which Lessee might have against Lessor, on account of faulty or improper construction of any of the Improvements (including the Residence and any common elements of the Project). Lessee also agrees that Lessee's right to make any legal or equitable claims will only be against the person or persons who are responsible for constructing the Improvements (including the Residence and any common elements of the Project) or who may otherwise be liable for any defects of the Improvements. Lessee will not have any right to make such claims against Lessor.

27. DEVELOPMENT IN INCREMENTS AND MERGER OF PHASES: In addition to the provisions contained in the Declaration of Merger of Condominium Phases discussed in paragraph 2 above, the Condominium Declaration provides that Phase I of the Project will be developed in increments by initially constructing only some of the Residences, selling them, and then constructing some more Residences, selling them and continuing this process until all Residences presently planned for the Project have been completed. The Lease provides that the Lessee consents to the construction of Phase I of the Project in increments, the merger of separate condominium projects, the subdivision of the land in the Project into two or more lots, the development of the lots as separate condominium projects, the consolidation of any separate lots into a single lot, the removal of any undeveloped portions of the land

6/7/81

from the Project, the use by owners in future phases of common elements in Phase I, amendments of the Project Documents to take into account all of the above and in particular to change the common interest of an owner in the common elements under certain circumstances the ongoing construction activities involved in constructing the Project in increments which may result in noise, dust or other annoyances to the Lessee, that access may be restricted to the undeveloped areas and that Lessee gives up any rights, claims or actions against the developer of the Project, the Lessor, the developer's lender and the construction contractor and their agents as a result of such construction activity or a failure to stay out of the undeveloped area.

28. MEMBERSHIP IN OTHER ASSOCIATIONS. Under the Lease, Lessee agrees and acknowledges that as owner of a Residence in the Project, Lessee will also have to become a member of (a) the Hawaii Kai Marina Home Owners Association under the terms of a Declaration of Protective Provisions dated September 5, 1989, recorded in the Bureau of Conveyances in Book 23720, Page 249 (the "Marina Declaration"), and (b) the Luna-Kai Marina Park Association under the terms of a Declaration of Protective Provisions for Luna-Kai Marina Park dated March 1, 1971, recorded in the Bureau of Conveyances in Book 7444, Page 188 (the "Park Declaration"). Lessee also agrees and acknowledges in the Lease that Lessee will have to pay certain charges, fees and assessments as a member of each of these associations.

BY SIGNING IN THE SPACE PROVIDED BELOW, BUYER ACKNOWLEDGES AND AGREES AS FOLLOWS:

A. This Summary has been written in plain language in order to comply with Hawaii law and to make the documents easier for the Buyer to read and understand. By signing in the space provided below, Buyer acknowledges that plain language may be less precise or less accurate than legal terminology that Buyer might not understand or want to read. If any part of this Summary is unclear because plain language has been used, then Buyer agrees that any person interpreting the documents can read them fairly without special favor to the Buyer.

B. The Buyer acknowledges that there are currently no statutory provisions for the mandatory conversion of leasehold condominiums and cooperatives, and that there are no assurances that such measures will be enacted in the future.

C. The Buyer acknowledges that he or she has read and understands the provisions of the Lease.

DATE: _____

DATE: _____

"Buyer"

EXHIBIT "G"

DESCRIPTION OF BUILDINGS

The Project shall initially contain fifteen (15) new buildings. Thirteen (13) of the buildings contain the one hundred eighteen (118) residential apartments of the Project and are called "Residential Buildings" in the Declaration. One (1) of the buildings contains the two (2) recreational Yacht Club Apartments and one (1) Utility Apartment of the Project, and is called "Yacht Club Building" in the Declaration. The remaining building of the Project contains no apartments and is called the "Health Club Building" in the Declaration.

As shown on the Condominium Map, the Residential Buildings shall contain three (3) stories, the Yacht Club Building shall contain two (2) stories, and the Health Club Building shall contain one (1) story. The Residential Buildings shall have concrete slabs; concrete walls between Apartments on the first floor; concrete for the majority of first floor perimeter walls and wood frame construction for the remainder of first floor perimeter walls; concrete second level floors; wood frame construction for the third level floors; and wood frame construction for the second and third level walls and roof. The other Buildings shall be constructed principally of wood and gypsum board on wood stud partitions. Building exteriors shall have cement, plaster or stucco finish painted in conjunction with wood trims, aluminum windows, wood louvers and trellises. The Buildings shall have no basements.

The Residential Buildings are of two types designated as "Ten-Plex" and "Eight-Plex." Ten-Plex Residential Buildings contain ten (10) Residential Apartments each, and Eight-Plex Residential Buildings contain eight (8) Residential Apartments each. There are seven (7) Ten-Plex Residential Buildings and six (6) Eight-Plex Residential Buildings. All buildings of the Project are located as shown on the Condominium Map.

The Ten-Plex Residential Buildings are designated on the Condominium Map as "Lagoon 4," "Lagoon 5," "Waterfront 8," "Waterfront 9," "Waterfront 10," "Waterfront 11" and "Waterfront 13." The Eight-Plex Residential Buildings are designated on the Condominium Map as "Park 1," "Park 2," "Park 3," "Waterfront 12," "Waterfront 14" and "Waterfront 15."

Each Residential Building contains one (1) enclosed parking garage for each apartment in the building. Each garage is a limited common element appurtenant to one apartment in the building. Each garage is identified on the Condominium Map by a

8/17/81

two-digit number. The number of each garage is the same as the last two digits of the number of the Residential Apartment to which the garage is appurtenant in the same building.

EXHIBIT "H"

SPECIAL USE RESTRICTIONS

THE DECLARATION, THE BYLAWS AND THE RULES AND REGULATIONS CONTAIN SEVERAL PROVISIONS REGARDING SPECIAL USE RESTRICTIONS. NOT ALL OF SUCH PROVISIONS CAN BE FULLY SET FORTH HEREIN, AND THE BUYER IS ADVISED TO READ THE FOREGOING DOCUMENTS CAREFULLY.

The special use restrictions contained in the Declaration, the Bylaws and the Rules and Regulations include, but are not limited to, the following:

Paragraph (8.3) of the Declaration provides that the Residential Apartments shall be occupied and used only for residential purposes. However, paragraph 18 of the Declaration reserves to the Developer the right to use certain Residential Apartments owned or rented by the Developer for specific non-residential purposes in connection with the advertising and sales of additional apartments added to the Project as part of an incremental plan of development. Transient, hotel, time sharing, commercial (with the exception of certain "home occupations") and other non-residential uses are prohibited as more fully set forth in the Declaration. Paragraphs (8.4), (8.5) and (8.6) of the Declaration contain special use provisions for the Yacht Club Apartments and the Utility Apartment and set forth the conditions under which some of such uses may be changed. Paragraph (8.7) of the Declaration sets forth the generally permitted uses of the Health Club Building.

Section 8.4 of the Bylaws sets forth several specific use restrictions as follows:

SECTION 8.4 Use.

(a) Each Apartment in the Project shall be used only for the purposes set forth in the Declaration.

(b) All common elements of the Project shall be used only for their respective purposes as designed or as set forth in the Declaration, subject to:

(i) The right of the Board, upon the approval of the Owners of seventy-five percent (75%) of the common interests and the approval of the Developer (for so long as the Developer retains the rights reserved to the Developer in paragraphs 18, 19 and 20 of the Declaration) to change the use of the common elements described in paragraphs (4.1) through (4.10) of the Declaration as limited common

8/18/91

elements appurtenant to all Apartments in the Project except the Utility Apartment; provided, however, that the Board shall have the right, subject only to the Developer's approval, to make minor changes to the landscaping of the common elements from time to time for the purpose of maintaining and enhancing the general appearance of the Project;

(ii) Subject to the approval of the Developer (for so long as the Developer retains the rights reserved to the Developer in paragraphs 18, 19 and 20 of the Declaration), the right of the Board, on behalf of the Association, to lease or otherwise use for the benefit of the Association those limited common elements which are not actually used by any of the Apartment Owners for an originally intended special purpose, as determined by the Board; provided that unless the approval of the Owners of seventy-five percent (75%) of the common interest is obtained, any such lease shall not have a term exceeding five (5) years and shall contain a provision that the lease or agreement for use may be terminated by either party thereto on not more than sixty (60) days written notice;

(iii) Subject to the approval of the Developer (for so long as the Developer retains the rights reserved to the Developer in paragraphs 18, 19 and 20 of the Declaration), the right of the Board to lease or otherwise use for the benefit of the Association those limited common elements not falling within paragraph (ii) above, upon obtaining (A) the approval of seventy-five percent (75%) of the Apartment Owners, including all directly affected Owners and all Owners of Apartments to which such limited common elements are appurtenant and (B) approval of all mortgagees of record on Apartments with respect to which Owner approval is required by (A) above, if such lease or use would be in derogation of the interest of such mortgagees; and

(iv) The right of the Developer to change the use of or otherwise deal with certain limited common elements in connection with the incremental development of the Project and the possible merger of the Project with one or more other condominium projects, as reserved and set forth more fully in the Declaration.

(c) No Apartment Owner shall make or permit to be made any noise by himself or his tenants, employees, guests, customers, or invitees, which will unreasonably annoy or interfere with the rights, comfort or convenience of other Owners or occupants of the Project.

(d) Every Apartment Owner and occupant shall at all times keep his Apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association for the time being applicable to the use of the Project.

(e) No garments, rugs or other objects shall be hung from the windows or facades of the Project.

(f) No rugs or other objects shall be dusted or shaken from the windows of the Project or cleaned by beating or sweeping on any hallway, entry way or stairway, or other exterior part of the Project.

(g) No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Project outside of the disposal facilities provided for such purpose. All Owners and their tenants shall comply with all rules which may be promulgated by the Association regarding the sorting and disposal of various types of refuse, garbage and trash.

(h) No Apartment Owner or occupant shall without the written approval of the Board of Directors install any wiring for electrical or telephone installations, television antenna, machines or air-conditioning units, or other equipment, fixtures, appliances or appurtenances whatsoever on the exterior of the Project or protruding through the walls, windows or roofs thereof.

(i) Nothing shall be allowed, done or kept in any Apartment or common element of the Project which would overload or impair the floors, walls or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association. In no event shall waterbeds be allowed in any Apartment.

(j) No Apartment Owner or occupant shall place, store or maintain on walkways, roadways, grounds or other common elements any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

6/16/91

(k) No Apartment Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his Apartment or the Project nor alter or remove any furniture, furnishings or equipment of the common elements.

(l) No Apartment Owner shall decorate or landscape any entrance of his Apartment or any other portion of the Project except in accordance with standards therefor established by the Board or specific plans approved in writing by the Board.

(m) If the Project shall have separate elevators (i) devoted to the transportation of the Apartment Owners and their guests and (ii) for freight service or auxiliary purposes, the Apartment Owners are expressly required to utilize the freight or service elevators for transporting packages, or any other object that may affect the comfort or well-being of the passengers of the elevators designed for the transportation of the Apartment Owners, occupants and guests.

(n) No Apartment Owner or occupant shall enclose or make any structural modifications, changes, additions or alterations to their respective balconies, lanais or patios, add any awnings, sunscreens, window or glass tinting substances or devices, louvers, exhaust vents, wind baffles, or drain without the prior written approval of the Board. It is intended that the exterior of the Project present a uniform appearance, and to effect that end the Apartment Owners hereby agree that the use of balconies, lanais, patios and railings for the hanging and drying of clothing or garments, the open storage of equipment (including, but not limited to, bicycles and surfboards) or building supplies and materials or the displaying of signs or art of any sort or kind whatsoever is prohibited and that the Board may prohibit such use.

(o) The initial Owner of each residential Apartment shall install, at such Owner's sole cost and expense, drapes or curtains for all windows visible from outside of the Apartment. To ensure that the Project maintains a uniform overall appearance, all drapes or curtains visible from outside of an Apartment must be of an off-white or beige color approved by the Board, or lined with material having an approved off-white or beige color.

(p) No boat or boat trailer shall be parked in any parking stall or garage in a manner that inhibits access to any other parking stall or garage or the free flow of traffic in and out of the parking areas. No boat or boat trailer shall be parked in any uncovered parking stall except temporarily in connection with boat launching into and removal from Kuapa Pond, provided that the owner of the First Floor Yacht Club Apartment and its permittees may park boats and boat trailers in any of the Yacht Club Parking Stalls at any time. Subject to the first sentence of this subsection (p), boats and boat trailers may be parked in garages, provided that the garage door(s) may be completely closed with the boat or boat trailer inside.

Section 10.7 of the Bylaws sets forth restrictions on pets as follows:

SECTION 10.7 Restrictions on Pets. No livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Project except that dogs, cats and other household pets limited to a total of two (2) in number may be kept by occupants in their respective apartments, but shall not be kept, bred, or used therein for any commercial purpose. The foregoing restriction on the number of pets, however, shall not apply to fish. Except for dogs used by visually impaired persons or hearing impaired persons, no animals shall be allowed on any common elements (excluding lanais and garages appurtenant to Residential Apartments) except in transit when carried or on leash and, in any case, no animals shall be allowed on any part of the recreation areas or parking areas, except for dogs used by visually impaired persons or hearing impaired persons. Any pet causing a nuisance or unreasonable disturbance to any occupant of the premises shall be promptly and permanently removed upon notice given by the Board or the Managing Agent. All pets (except fish) must be registered immediately with the Managing Agent.

The Rules and Regulations contain several additional restrictions on the use of Residential Apartments and the common and limited common elements, including the Health Club Building and the adjacent pool and spa area, those parts of the Yacht Club Building which are common elements, parking stalls and garages and Boat Slips.

EXHIBIT "I"PERMITTED ALTERATIONS

The Declaration provides generally that no restoration or replacement of the Project or any Building, or construction of any additional building or structural alteration or addition to any structure, different in any material respect from the Condominium Map, shall be undertaken by the Association or any Apartment Owners except pursuant to an amendment of the Declaration duly executed by or pursuant to the affirmative vote of the Owners of Apartments to which are appurtenant seventy-five percent (75%) or more of the Common Interest, together with the consent of all Apartment Owners whose Apartments or Limited Common Elements appurtenant thereto are directly affected (as determined in a reasonable manner by the Board), and also together with the consent of the Developer during such time as the Developer retains the development, deletion and merger rights reserved in paragraphs 18, 19 and 20 of the Declaration, accompanied by the written consent of holders of first mortgage liens affecting said Apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Trustees and the Board. (See paragraph 16 of the Declaration).

However, except as otherwise provided in any Residence Lease or Apartment Lease issued by the Trustees or in the Declaration or the Bylaws, any nonmaterial structural alterations or additions within an Apartment or within or to a limited common element appurtenant to or for the exclusive use of such Apartment, shall require only the prior written approval of the Trustees, the Board, and the holders of first mortgage liens affecting such Apartments (if the lien holders require such approval), and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a set of floor plans of the Project as so altered. (See paragraph 16 of the Declaration).

The Bylaws provide that any alteration, addition, repair or improvement to an Apartment which may affect the common elements of the Project or change the exterior or appearance of the Project shall require the written permission of the Board and the approval of the Developer (for so long as the Developer retains the rights reserved to the Developer in paragraphs 18, 19 and 20 of the Declaration). (See sections 8.5 and 8.8 of the Bylaws). This includes nonstructural alterations in or additions to the exterior of an Apartment (including painting, adding awnings, shutters and screens; see section 8.4 of the Bylaws), enclosure or modification to a lanai, tinting of windows, or the addition of vents, wind baffles or drains (see section 8.4(n) of the Bylaws). This also includes the installation of any wiring, television antenna, machines or other equipment, fixtures,

appliances (including air-conditioning units) on the exterior of the Project or protruding through walls, windows or roofs (see section 8.4(h) of the Bylaws).

The Bylaws also provide that the Board may withhold its approval of any proposed additions, alterations or improvements solely within an Apartment or within a limited common element appurtenant to an Apartment if, in the Board's judgment, the addition, alteration or improvement would be visible from outside of the Apartment and would detract from the Project's uniform appearance (see section 8.5(c) of the Bylaws).

Under section E.28 of the Sales Contract, the Developer reserves the right to provide for entries through common walls separating two or more adjacent Apartments, under certain conditions and on certain terms, and to amend the Condominium Map accordingly.

EXHIBIT "J"

DESCRIPTION OF COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

The Common Elements of the Project (which are all Limited Common Elements) are established and described in paragraphs 4 and 5 of the Declaration as follows:

4. Common Elements (All Limited). One freehold estate is hereby established in all of the Common Elements of the Project. All Common Elements of the Project are Limited Common Elements and are set aside and reserved for the exclusive use of certain Apartments as set forth in this paragraph 4 and in paragraph 5 below, and such Apartments shall have appurtenant thereto exclusive easements for the use of such Limited Common Elements.

The following Common Elements are hereby set aside as Limited Common Elements appurtenant to and for the exclusive use of all Apartments in the Project except the Utility Apartment:

(4.1) The Land in fee simple.

(4.2) All foundations, floor supports, columns, girders, beams, supports, unfinished floors, unfinished ceilings, unfinished perimeter walls, fences and walls (including courtyard walls) and load-bearing walls, the attic and crawl space in each Building, and roofs of the Buildings.

(4.3) All yards, grounds and landscaping (excluding the Reserved Land), marina wall(s), roads, walkways, loading areas, driveways and refuse facilities.

(4.4) All ducts, electrical equipment, wiring, pipes and other central and appurtenant transmission facilities, installations over, under and across the Project which serve more than one Apartment for services such as power, light, water, gas, sewer, telephone and radio and television signal distribution.

(4.5) An easement upon, over and across Kuapa Pond and all canals and other waterways thereof for purposes of navigation and access to the sea, and upon that portion of Kuapa Pond abutting the Land and shown as reserved for Boat Slips on the Condominium Map, together with any mooring and dock facilities that may be constructed thereon in accordance with the provisions of the Marina Declaration and the Bylaws, subject, however, to the provisions of the Marina Declaration and to all rules and regulations now or hereafter made as provided in the Marina Declaration and applicable to the use of Kuapa Pond and the canals and waterways thereof.

(4.6) All parts of the Yacht Club Building which are not parts of the Yacht Club Apartments or the Utility Apartment, including (but not limited to) a lounge on the first floor, men's and women's restroom and shower facilities on the first floor, and an entryway corridor on the first floor, all as more particularly shown on the Condominium Map.

(4.7) A swimming pool/cabana area which includes the Health Club Building shown on the Condominium Map.

(4.8) Two (2) tennis courts situated near the Marina Park as shown on the Condominium Map.

(4.9) The Lagoon.

(4.10) Any and all apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

5. Other Limited Common Elements. The remaining Common Elements are hereby set aside as Limited Common Elements appurtenant to and for the exclusive use of certain Apartments as follows:

(5.1) The stairway, entry area and lanai(s) adjoining and abutting each second story Residential Apartment shall be appurtenant to and for the exclusive use of such Apartment, provided that stairways which serve more than one Residential Apartment shall be appurtenant to and for the exclusive use of all Apartments served thereby.

(5.2) The entry area and lanai(s) adjoining and abutting each ground floor Residential Apartment shall be appurtenant to and for the exclusive use of such Apartment.

(5.3) The mailbox bearing the same designation as the Apartment shall be appurtenant to and for the exclusive use of such Apartment. Each Apartment shall have one (1) mailbox.

(5.4) Each Residential Apartment shall have one (1) covered automobile parking space or garage appurtenant thereto and for the exclusive use thereof. Each covered parking space or garage shall be designated by the last two digits of the number of the Apartment in the same building to which it is appurtenant.

(5.5) Each Residential Apartment shall have at least one (1) uncovered automobile parking space appurtenant to and for the exclusive use of such Apartment upon the original conveyance thereof, or as may be made appurtenant thereto by

6/18/91

subsequent conveyance. The parking space number(s) for the uncovered parking space(s) appurtenant to each Apartment are as set forth in EXHIBIT "B", or as may be designated by an amendment to this Declaration. Any provision of this Declaration to the contrary notwithstanding, Apartment Owners shall have the right to change the designation of uncovered parking spaces which are appurtenant to their respective Apartments by amendment of this Declaration and respective Residence Leases. The amendment(s) required to effect such change(s) need only be signed and approved by the Owners (and their respective mortgagees, if any) of the Apartments whose uncovered parking spaces are being changed. The amendment(s) required to effect such changes in uncovered parking space designations shall be effective only upon delivery of the amendments to the Association, through the Secretary or the Managing Agent, and recording the same in the Bureau.

(5.6) The Boat Mooring Area shall initially be appurtenant to and for the exclusive use of the Utility Apartment. The Developer hereby reserves the right to construct from time to time Boat Slips in the Boat Mooring Area, which Boat Slips shall be Limited Common Elements appurtenant to the Utility Apartment. When constructed, each Boat Slip shall be designated by a number as shall be set forth in one or more amendments to this Declaration executed from time to time only by the Developer and recorded in the Bureau. Any provision of this Declaration to the contrary notwithstanding, the Owner of the Utility Apartment may from time to time (but shall not be obligated to) transfer a Boat Slip to another Apartment by amending this Declaration and any Residence Leases covering the respective Apartments to show that such Boat Slip is a Limited Common Element appurtenant to and for the exclusive use of the Apartment to which such Boat Slip has been transferred. The Owner of any Apartment to which a Boat Slip has become an appurtenant Limited Common Element may, by amendment to this Declaration and the appropriate Residence Leases as set forth herein, transfer such Boat Slip to another Apartment in the Project. The amendment(s) required to effect such transfer(s) need only be signed and approved by the Owners (and their respective mortgagees, if any) of the Apartments acquiring or transferring a Boat Slip. Such amendment(s) shall be effective only upon delivery of the amendments to the Association, through the Secretary or the Managing Agent, and recording the same in the Bureau.

(5.7) The Reserved Land shall initially be appurtenant to the Utility Apartment, subject, however, to the rights to change and otherwise deal with such area reserved to the Developer pursuant to paragraphs 18 and 19 below.

(5.8) The wooden ramp walkway area and the spiral stairway shown on the Condominium Map as leading to the second floor of the Yacht Club Building and providing access to

the Second Floor Yacht Club Apartment and the lanais abutting such Apartment shall be appurtenant to and for the exclusive use of the Second Floor Yacht Club Apartment.

(5.9) The Yacht Club Parking Stalls shall be appurtenant to and for the exclusive use of the First Floor Yacht Club Apartment.

EXHIBIT "K"

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.
3. Grant in favor of the City and County of Honolulu, dated January 9, 1967, recorded in Book 5599, Page 402; granting an easement to construct, reconstruct, install, maintain, operate, repair and remove a drainage structure or structures, etc., as part of a drainage system, through, under and across the following described "easement areas":

Easement 7: of LUNALILO HOME ROAD, Improvement District No. 186: Being portion of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu, situate at Maunalua, Honolulu, City and County of Honolulu, State of Hawaii, and more particularly described as follows:

Beginning at the south corner of this parcel of land, on the proposed northwest side of Lunaliilo Home Road (80.00 feet wide), the coordinates of said point of beginning referred to Government Survey Triangulation Station "KOKO HEAD 3" being 8,482.95 feet north and 2,174.21 feet east, and running by azimuths measured clockwise from true South:

- | | | | | |
|----|------|-----|-------|---|
| 1. | 155° | 10' | 25.00 | feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu; |
| 2. | 205° | 10' | 10.00 | feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu; |
| 3. | 295° | 10' | 25.00 | feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu; |
| 4. | 25° | 10' | 10.00 | feet along the proposed northwest side of Lunaliilo Home Road (80.00 feet wide) to the point of beginning and |

containing an area of 250 square feet.

Easement 8: of LUNALILO HOME ROAD, Improvement District No. 186: Being portion of R. P. 4475, L. C. Aw. 7713, Apana 30 to V. Kamamalu, situate at Maunalua, Honolulu, City and County of Honolulu, State of Hawaii, and more particularly described as follows:

Beginning at the south corner of this parcel of land, on the proposed northwest side of Lunalilo Home Road (80.00 feet wide), the coordinates of said point of beginning referred to Government Survey Triangulation Station "KOKO HEAD 3" being 8,781.62 feet north and 2,314.54 feet east, and running by azimuths measured clockwise from true South:

1. 115° 10' 25.00 feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu;
2. 205° 10' 10.00 feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu;
3. 295° 10' 25.00 feet along remainder of L. C. Aw. 7713, Apana 30 to V. Kamamalu;
4. 25° 10' 10.00 feet along the proposed northwest side of Lunalilo Home Road (80.00 feet wide) to the point of beginning and containing an area of 250 square feet.
4. Covenants, conditions and restrictions set forth in DECLARATION OF PROTECTIVE PROVISIONS FOR LUNA-KAI MARINA PARK dated March 1, 1971, recorded in Book 7444, Page 188.
5. UNILATERAL AGREEMENT AND DECLARATION FOR CONDITIONAL ZONING dated July 3, 1986, recorded in Book 19645, Page 696, by KAISER DEVELOPMENT COMPANY and THE TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP.
6. Covenants, conditions and restrictions set forth in DECLARATION OF PROTECTIVE PROVISIONS dated September 5, 1989, recorded in Book 23720, Page 249.
7. "SUBJECT to the jurisdiction of and any rights of the United States of America may have over or in the above described

premises, including, without limitation, the jurisdiction of the United States Army Corps of Engineers, the United States Coast Guard, and any public rights of navigable servitude or other servitudes or easements," as set forth in Lease dated September 5, 1989, recorded in Book 23720, Page 285.

8. The terms, agreements, reservations, covenants, conditions and provisions contained in LEASE NO. 28,118 dated September 5, 1989, recorded in the Bureau of Conveyances in Book 23720, Page 285, by and between the Trustees of the Estate of Bernice Pauahi Bishop, as Lessor, and Coastfed Properties, a California general partnership, as Lessee, as amended by instrument dated February 12, 1990, recorded in the Bureau of Conveyances as Document No. 90-027290, said Lease having been assigned to Nansay Hawaii, Inc., a Hawaii corporation, by instrument dated April 2, 1990, recorded in the Bureau of Conveyances as Document No. 90-079433. Consent to the foregoing assignment was given by the Trustees of the Estate of Bernice Pauahi Bishop.
9. The following Items as disclosed by Certificate Survey Map dated March 15, 1989, prepared by Russell Figueiroa, Registered Professional Land Surveyor, Certificate No. 4729, to-wit:
 - (A) A 10-foot building setback line along the front, rear and side yards of Lot 9;
 - (B) Drainage ditch and two culverts within the southeast portion of Lot 9, which are utilized to carry the storm water from Lunalilo Home Road into an existing ditch which runs over and across the Luna Kai Marina Park;
 - (C) An exposed pipe situate near the north corner of Lot 9; and
 - (D) C.R.M. marina wall situate within and running along the northerly, westerly and a portion of the southerly boundary of Lot 9.
10. MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT dated May 29, 1990, recorded in the Bureau of Conveyances as Document No. 90-079435, made by NANSAY HAWAII, INC., a Hawaii corporation, to THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, a Japanese corporation, to secure the repayment of that certain promissory note dated May 29, 1990, in the principal sum of \$35,000,000.00.

EXHIBIT "L"

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS
AND
OTHER FEES**

Estimate of Initial Maintenance Fees and Other Fees:

<u>Apartment Type</u>	<u>Maintenance Fee</u>	<u>Sewer Fee</u>	<u>Marina Fee</u>	<u>Park Fee</u>	<u>Total Monthly Fee x 12 months = Yearly Total</u>	
One A	\$182.24	\$19.38	\$15.00	\$3.00	\$ 219.62	\$ 2,635.44
Two A	247.67	19.38	15.00	3.00	285.05	3,420.60
Two B	310.85	19.38	15.00	3.00	348.23	4,178.76
Two C	299.40	19.38	15.00	3.00	336.78	4,041.36
Three A	417.07	19.38	15.00	3.00	454.45	5,453.40
Three B	439.63	19.38	15.00	3.00	477.01	5,724.12
Two D	280.82	19.38	15.00	3.00	318.20	3,818.40
Two E	229.45	19.38	15.00	3.00	266.83	3,201.96
Three C	372.81	19.38	15.00	3.00	410.19	4,922.28
Three D	383.92	19.38	15.00	3.00	421.30	5,055.60
YC 1	59.88	19.38	15.00	3.00	97.26	1,167.12
YC 2	219.38	19.38	15.00	3.00	256.76	3,081.12
Developer Subsidy					25,490.75	305,889.00

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

THE PENINSULA PHASE I A

ESTIMATE OF MAINTENANCE FEE DISBURSMENTS:

	MONTHLY x 12 MONTHS	= YEARLY TOTAL
UTILITIES AND SERVICES		
AIR CONDITIONING	\$900.00	\$10,800.00
ELECTRICITY (COMMON ELEMENTS ONLY)	\$1,200.00	\$14,400.00
REFUSE COLLECTION	\$700.00	\$8,400.00
TELEPHONE (COMMON ELEMENTS ONLY)	\$200.00	\$2,400.00
WATER	\$1,000.00	\$12,000.00
MAINTENANCE, REPAIR AND SUPPLIES		
BUILDING	\$7,426.67	\$89,120.00
GROUND	\$11,106.67	\$133,280.00
EQUIPMENT, POOLS & POND	\$1,433.33	\$17,200.00
MANAGEMENT		
MANAGEMENT FEE	\$2,369.00	\$28,428.00
PAYROLL AND PAYROLL TAXES	\$6,053.33	\$72,640.00
OFFICE EXPENSE	\$100.00	\$1,200.00
INSURANCE		
FIRE	\$6,998.25	\$83,979.00
LIABILITY & UMBRELLA	\$925.00	\$11,100.00
BOILER & MACHINERY	\$83.33	\$1,000.00
AUTO & INLAND MARINE	\$55.00	\$660.00
FLOOD (FED PROGRAM)	\$147.33	\$1,768.00
DIRECTORS & OFFICERS	\$166.67	\$2,000.00
DIFFERENCE IN CONDITIONS	\$500.00	\$6,000.00
CONDO BOND	\$166.67	\$2,000.00
MEDICAL	\$3,000.00	\$36,000.00
WORKERS COMP	\$2,495.00	\$29,940.00
RESERVES	\$1,500.00	\$18,000.00
TAXES AND GOVERNMENT ASSESSMENTS	\$3,490.42	\$41,885.00
AUDIT FEES (AND TAX PREP.)	\$208.33	\$2,500.00
OTHER		
LEGAL ALLOWANCE	\$166.67	\$2,000.00
PROJECT EXPENSE	\$245.83	\$2,950.00
PEST CONTROL	\$400.00	\$4,800.00
LODGING RESIDENT MANAGER	\$2,000.00	\$24,000.00
WATCHMAN	\$4,166.67	\$50,000.00
OTHER PAYROLL	\$6,498.00	\$77,976.00
CATV (BASIC)	\$960.00	\$11,520.00
MISC. EXPENSE	\$476.67	\$5,720.00
TOTAL EXPENSE PHASE I A ONLY	\$67,138.83	\$805,666.00

1) BUDGET INCLUDES EXPENSES BENEFITING FUTURE PHASES.

We, Chaney, Brooks & Company, as managing agents for the condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

MAY 3, 1991

CHANAY, BROOKS & COMPANY

Wendell Brooks Jr.
 WENDELL BROOKS JR. C.P.M.
 PRESIDENT & C.E.O.

EXHIBIT "M"

CONSTRUCTION WARRANTIES

Paragraphs (25.1) and (25.2) of the Declaration provide the following limited warranties regarding the Buildings and improvements of the Project and appliances originally installed in the Apartments and sold therewith:

(25.1) Limited Warranty. The Developer agrees to require the General Contractor of the Project (the "General Contractor") to warrant, in writing, that: (a) the materials and equipment furnished under the Construction Contract between the Developer and the General Contractor for construction of the Project (the "Construction Contract") will be of good quality and new, unless the Construction Contract requires or permits that the materials and equipment be otherwise; and (b) the construction and services required by the Construction Contract (including all labor, materials and equipment to be provided by the General Contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the Construction Contract. The Developer also agrees to require the General Contractor's written warranties to be effective for one (1) year. The Developer expressly does not (and will not require the General Contractor to) warrant against any damage or defects to any Apartment or Common Element of the Project caused by abuse, modifications not made by the Developer or the General Contractor, improper or insufficient maintenance, improper operation, or normal wear and tear under normal usage. The Developer makes no representations or warranties that the General Contractor will honor his warranties. The Developer also agrees to transfer to Apartment Owners, to the extent legally possible, any transferable manufacturer's or dealer's warranties covering appliances in such Owner's Apartment. Without incurring any legal liability to do so, the Developer agrees to cooperate with the Apartment Owners in obtaining the performance by the General Contractor of all of the warranties the General Contractor has made.

(25.2) NO OTHER WARRANTIES. OTHER THAN AS STATED ABOVE, THE APARTMENT OWNERS ACKNOWLEDGE AND AGREE THAT NEITHER THE DEVELOPER NOR THE TRUSTEES HAVE MADE ANY EXPRESS WARRANTIES OF ANY KIND AND THAT THE DEVELOPER AND THE TRUSTEES HEREBY EXPRESSLY DISAVOW AND EXCLUDE ANY IMPLIED WARRANTIES, INCLUDING, WITHOUT

LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY,
FITNESS AND/OR HABITABILITY.

The Sales Contract contains substantially identical
warranty provisions.

EXHIBIT "N"

SUMMARY OF DEVELOPER'S PLANS FOR FUTURE DEVELOPMENT

The Developer currently plans to develop the Project in increments ("Phase I"), and to merge the Project for administrative purposes with another condominium project to be developed on land not a part of the Project ("Phase II"). Schedule "1" attached to this Exhibit "N" shows a preliminary sketch of how the Project may look if fully developed and merged as planned.

THE DEVELOPER'S CURRENT PLANS NOTWITHSTANDING, THE DEVELOPER SHALL NOT BE OBLIGATED TO CONSTRUCT ANY ADDITIONAL APARTMENTS OR INCREMENT, OR TO MERGE THIS PROJECT WITH ANY OTHER CONDOMINIUM PROJECT, AND NOTHING CONTAINED HEREIN OR IN THE DECLARATION SHALL BE DEEMED TO BE A REPRESENTATION THAT ANY SUCH ADDITIONAL APARTMENTS OR INCREMENTS WILL BE DEVELOPED OR THAT ANY MERGER SHALL TAKE PLACE, OR THAT THE SKETCH ATTACHED HERETO AS SCHEDULE "1" ACCURATELY REPRESENTS WHAT THE PROJECT WILL ACTUALLY LOOK LIKE IF INCREMENTS ARE ADDED AND THE PROJECT IS MERGED.

Phase I is being developed on a single parcel of land and it is anticipated that it will be developed in five separate increments.

The first increment of Phase I shall include thirteen (13) three story residential apartment buildings containing a total of one hundred eighteen (118) residential apartments, one (1) two story Yacht Club building containing a total of three (3) nonresidential apartments, and one (1) one story Health Club building, containing no apartments.

The second increment of Phase I is anticipated to include one (1) six story residential apartment building with a total of one hundred eight (108) residential apartments.

The third increment of Phase I is anticipated to include ten (10) three story residential apartment buildings with a total of ninety-six (96) residential apartments.

The fourth increment of Phase I is anticipated to include one (1) six story residential apartment building with a total of one hundred eight (108) residential apartments.

The fifth increment of Phase I is anticipated to include one (1) six story residential apartment building with a total of one hundred eight (108) residential apartments.

8/18/81

If all currently planned increments of Phase I are developed as planned, Phase I shall include a total of five hundred thirty-eight (538) residential apartments, three (3) nonresidential apartments, twenty-six (26) residential apartment buildings and two (2) nonresidential buildings.

The Developer anticipates developing Phase II as a separate condominium project on a separate parcel of land, under a separate declaration of condominium property regime. Phase II is anticipated to include seven (7) three story residential apartment buildings with a total of sixty-six (66) residential apartments.

If all currently planned increments of Phase I are developed and Phase II is developed and merged with Phase I, the completed Project, as merged, shall include a total of six hundred four (604) residential apartments, three (3) nonresidential apartments, thirty-three (33) residential apartment buildings, and two (2) nonresidential buildings. The Developer anticipates that the entire merged Project, consisting of Phase I and Phase II, will be completed within six (6) years of the completion of construction of the first increment of Phase I.

In connection with the foregoing incremental plan of development, the Developer has reserved several rights in the Declaration, including:

- (a) The right to add apartments in increments;
- (b) The right to withdraw certain land from the Project; and
- (c) The right to merge with the Project one or more other condominium projects created either on land withdrawn from the Project or on other land.

1. Right to Add Apartments. Under paragraph 18 of the Declaration, the Developer reserves the right to construct additional apartments in increments on the land designated on the Condominium Map as "Reserved Land." The Reserved Land is initially a limited common element appurtenant to an apartment owned by the Developer and designated on the Condominium Map as "Utility Apartment." Each time an increment is added to the Project, portions of the Reserved Land shall be redesignated as common elements and portions may be redesignated as limited common elements appurtenant to the new apartments.

The Utility Apartment initially has an appurtenant common interest equal to the aggregate common interests that will eventually be appurtenant to all anticipated but as yet uncreated additional apartments in the Project. Each time an increment is

added to the Project, a portion of the common interest appurtenant to the Utility Apartment shall be transferred to the new apartments in the Project according to the provisions of paragraph 7 of the Declaration. Unless the Developer's plans for future development of the Project change, the common interests originally appurtenant to each existing apartment and assigned to each new apartment shall remain the same. However, if the aggregate gross living area of all anticipated but uncreated apartments changes, the common interests appurtenant to all apartments in the Project shall also change according to the provisions of paragraph 7 of the Declaration.

Upon the creation of each new increment, all then existing apartments in the Project shall share in the common profits and expenses of the Project according to their common interests as set forth in the Declaration and the Bylaws, and all apartment owners shall have the right to use those common elements of the Project appurtenant to their apartments as if all apartments had been developed at the same time.

Paragraph 18 of the Declaration also reserves to the Developer certain rights and easements to facilitate the development, completion and sales of additional increments, including an easement over the common elements, an easement to create dust and noise incidental to construction of additional apartments, the right to enter common areas with prospective purchasers of new apartments, the right to place signs on the Project, and the right to use any apartment owned or rented by the Developer for sales or display purposes.

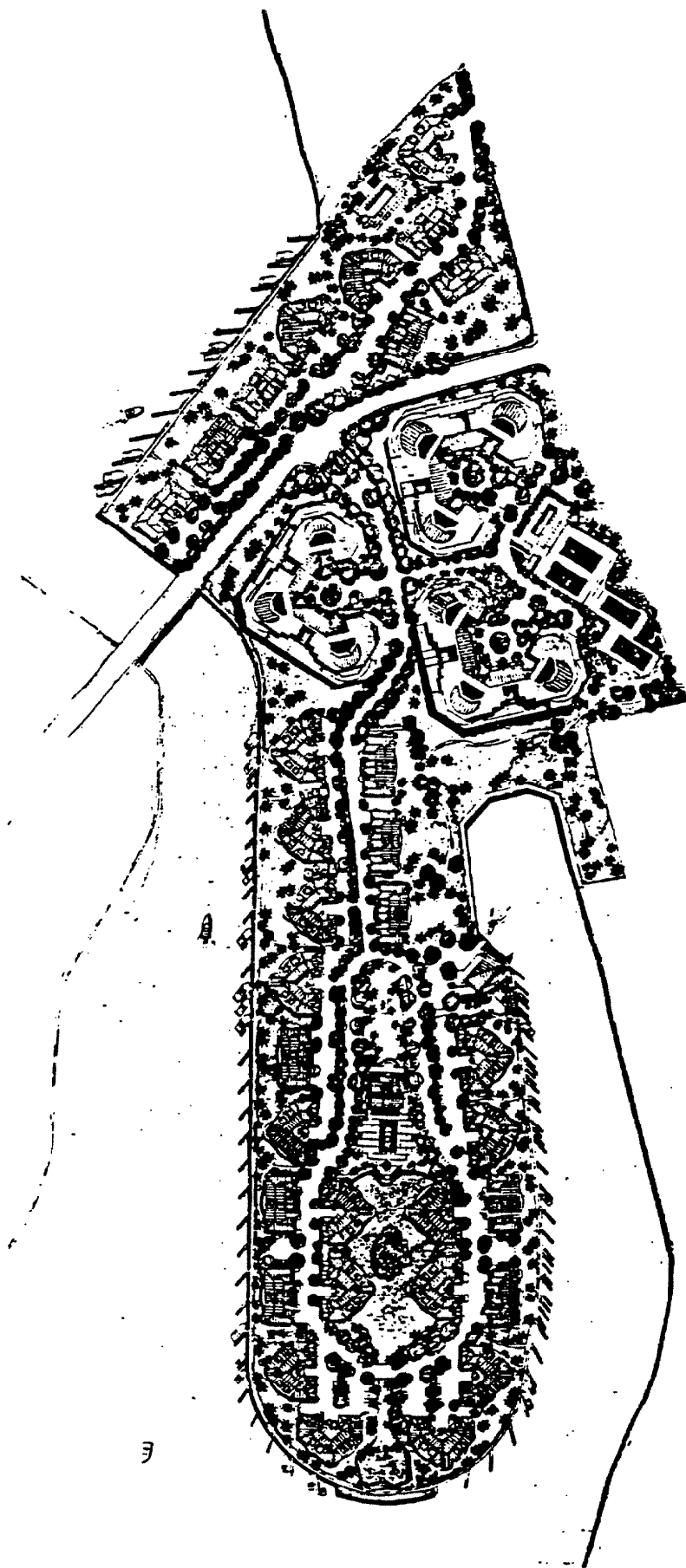
Paragraph 18 also reserves to the Developer certain rights regarding amendments to the Declaration and other project documents to reflect any changes made to the Project by the addition of new increments. Paragraph 18 expressly provides that by acquiring an interest in any apartment in the Project, each owner (i) consents to the development of additional apartments and to the recordation of such documents as may be necessary to effect such development, (ii) agrees to sign such documents as may be necessary to effect the same, and (iii) appoints the Developer and the Trustees as his or her attorney-in-fact to execute such documents.

2. Right to Withdraw Land. In addition to the right to add apartments to the Project, the Developer also reserves the right, in paragraph 19 of the Declaration, to subdivide and withdraw from the Project all or part of the Reserved Land. The Declaration provides that no apartment owner shall retain any interest in any part of the Reserved Land withdrawn from the Project, and each apartment owner agrees to sign such documents as may be necessary to release any such interest. Paragraph 19 of the Declaration expressly provides that by acquiring an interest

6/16/91

in an apartment, each owner (i) consents to deletion of all or part of the Reserved Land, (ii) agrees to sign any documents or instruments necessary to effect such deletion, and (iii) appoints the Developer as his or her attorney-in-fact to sign such documents or do such things as are necessary to delete the land.

3. Merger Rights. In the event the Developer withdraws all or part of the Reserved Land from the Project, the Developer may (but shall not be obligated to) develop all or part of the withdrawn land into a new condominium project, and to merge the new project for administrative purposes with the Project, pursuant to paragraph 20 of the Declaration and the provisions of that certain Declaration of Merger of Condominium Phases for the Peninsula at Hawaii Kai, to be executed by the Developer and the Trustees and recorded in the Bureau concurrently with the Declaration. Under paragraph 20 of the Declaration, the Developer also reserves the right to merge the Project with Phase II.



3

SCHEDULE "1"

EXHIBIT "O"

SALES CONTRACT AND ESCROW AGREEMENT SUMMARY

The Reservation Agreement and Sales Contract (the "Sales Contract") provides for the sale of a leasehold condominium residence (the "Residence") by the Developer to a Buyer. The Sales Contract further provides that when the building in which the Residence is located is completed and the Buyer has complied with all the terms of the Sales Contract, the Developer will convey to the Buyer a Residence Lease issued by the Trustees of the Estate of Bernice Pauahi Bishop. The Escrow Agreement provides how the funds paid by the Buyer under the Sales Contract to the Escrow are to be held and released. Both the Sales Contract and Escrow Agreement contain many important provisions which are not set out here and should be carefully reviewed by every prospective Buyer. Both documents have been written in language intended to be easier for Buyers to read than that used in traditional legal documents. Some of the important provisions of the Sales Contract are described elsewhere in this Public Report (for example, Exhibits "E" and "I") and are not included in this summary.

The Sales Contract provides for the number, amount and timing of payments the Buyer is to make to Escrow. The Escrow Agreement provides that Escrow is to collect these payments and hold them in accounts with banks or savings institutions that are federally insured. The Sales Contract and Escrow Agreement provide who gets to keep interest that may be earned on the funds with Escrow. The Sales Contract may be cancelled by the Developer, among other reasons, if the Buyer is obtaining financing and fails to obtain a lender commitment within certain time limitations or if the Buyer is a cash buyer and fails to furnish satisfactory evidence of ability to pay within other time periods, if the Buyer's deposit check bounces, or if one of the Buyers dies. The Buyer may cancel the Sales Contract, among other reasons, before the issuance and acceptance of a Final Public Report on the Project; however, Hawaii law provides that under certain conditions the Buyer may be deemed to "accept" the Final Public Report, even if the Buyer has not signed a receipt for it. In certain cases, the Buyer may be responsible for cancellation fees. The Sales Contract is not binding on the Developer or the Buyer prior to the issuance of a Final Public Report on the Project and the Buyer's acceptance or deemed acceptance of the Final Public Report.

The Escrow Agreement provides for the closing or settlement of the sale. Under certain conditions set out in the Escrow Agreement after a Final Public Report is issued and before

the Project is complete, funds may be released by Escrow to pay certain costs of developing the Project as permitted by Hawaii law. The Escrow collects all payments and other amounts owed under the Sales Contract, including closing costs which are shared between the Developer and the Buyer as set forth in the Sales Contract.

If the Buyer defaults under the Sales Contract after the Final Public Report is issued and "accepted" by the Buyer, the Buyer may lose all of the deposits with Escrow and the Developer, at its option, may pursue other legal remedies. If the Developer defaults under the Sales Contract, the Buyer shall be entitled to specific performance of the Sales Contract, or shall have the right to recover the Buyer's actual damages, or shall have the right to cancel and terminate the Sales Contract.

The Sales Contract confirms that the Buyer has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration, Bylaws, Rules and Regulations and Subsidy Agreement. The Sales Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of the Buyer under the Sales Contract.

The Sales Contract limits the Buyer's right to assign the Sales Contract and provides for a consent fee of up to \$500.00 for any transfer. The Sales Contract and Escrow Agreement provide for "pre-closing", signing of the Residence Lease and other closing documents by the Buyer before the Residence is ready for occupancy. The Escrow then handles the closing, the transfer of title in accordance with the Escrow Agreement. The Residence must be conveyed to the Buyer free and clear of any blanket liens, such as mortgages covering more than one Residence.

The Sales Contract provides that certain disputes between the Buyer and the Developer or certain parties involved in development of the Project must be arbitrated. The Buyer acknowledges that sales and construction activity at the Project by the Developer may continue after closing of the Buyer's purchase.

The Sales Contract confirms that the Buyer understands that the Buyer shall become a member of two associations, in addition to the Association of Residence Owners of the Project, and that the Buyer shall have to pay certain amounts as a member of these additional associations.

The Escrow Agreement provides certain protections to the Escrow in the event of a dispute between the Buyer and the Developer. These rights include filing an "interpleader" and the

right to recover certain fees and costs. In an interpleader action the escrow deposit is given to the court to decide what action to take. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

This summary is not complete and will not control in the event of any conflict with a provision in the Sales Contract or the Escrow Agreement. Prospective Buyers are cautioned and encouraged to carefully read the Sales Contract and Escrow Agreement.